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### SOCIALISM IN EVOLUTION

BY

G. D. H. COLE

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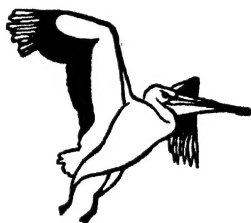
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PELICAN BOOKS

# SOCIALISM IN EVOLUTION

BY

G. D. H. COLE



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## PREFACE

THE eight studies included in this volume have all been re-written—most of them extensively re-written—for re-publication. THE RISE OF THE LABOUR MOVEMENT first appeared in a collective volume, *Great Events in History*, edited by Mr. G. R. S. Taylor. THE EVOLUTION OF LABOUR POLITICS has not been previously published in English, but incorporates material published in Germany as an introduction to Egon Wertheimer's *Portrait of the Labour Party*. THE EVOLUTION OF JOINT STOCK ENTERPRISE first appeared in *Studies in Capital and Investment*, a collective volume of studies issued by the New Fabian Research Bureau. MARXISM IN THE MODERN WORLD is based on my chapter in a volume, *Marxism*, edited by Mr. N. A. Holdaway. THE CRISIS IN EUROPEAN SOCIALISM incorporates an essay published in the United States, but not in Great Britain; but most of it is new. CAN CAPITALISM SURVIVE? is a revised version of a chapter originally published in the Fabian Society volume, *What is Ahead of Us?* THE FUTURE OF SOCIALISM is based on an essay published in French, in *L'Esprit International*, but has not been previously published in English. Finally, TOWARDS SOCIALISM is adapted from an article originally contributed to *The Adelphi*.

G. D. H. C.

Oxford, 1938.



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## THE RISE OF THE LABOUR MOVEMENT

THIS essay is a discussion of the rise and significance of the Labour movement both in Great Britain and as an international manifestation of the developing capitalist system. For the Labour movement, as it exists to-day in every country which has advanced any measurable distance along the road of large-scale industrialism, is essentially a product of the capitalist machine age. There were Trade Unions and strikes long before the advent of the modern system of power production; and it is easy to trace back the beginnings of working-class consciousness to a period before that of the great inventions which revolutionised both the productive processes of industry and the functions of the workers within the productive system. But the Trade Unions and other working-class organisations which existed before the beginning of the nineteenth century, or at any rate before the closing decades of the eighteenth century, even in Great Britain, can hardly be said to have formed parts of any concerted movement, or indeed to have been in any real sense representative of the working class. These earlier outbursts of industrial discontent were either sheer hunger movements, such as the bread riots which were common in many parts of eighteenth-century England, or arose out of the specific grievances of bodies of workmen, for the most part skilled artisans or craft workers in particular trades such as the woollen industry under the domestic system or the smaller urban handicrafts of the eighteenth-century towns.

The workmen who took part in these movements were for the most part barely conscious of their grievances as forming part of any general social movement extending to an entire economic class. They had particular troubles of their own, for which they sought appropriate remedies by the organisation of strikes, or by appeals, usually unsuccessful,

for help from the State or the existing law. There were indeed cases, even then, in which the workmen of one trade helped those of another, and certain crafts, above all the wool-combers, had formed organisations on a far more than local basis; and it is possible that, if our knowledge of these earlier industrial movements were fuller than it is, many more instances of collaboration over a wider field would come to light. But there is, at any rate so far, no evidence at all that behind these occasional uprisings of the eighteenth-century wage-earners there was anything in the nature of a philosophy or a common policy directed to any change in class relationships or in the constitution of the State.

It is natural to look to Great Britain for the first signs of a working-class movement in a more developed sense; for in Great Britain machine production developed earlier than in any other country, and was moreover superimposed upon a capitalist system already well developed in the sphere of commerce and in the more commercialised branches of production, such as the woollen industry. Even before the introduction of power-driven machinery on any considerable scale, the woollen industry, at any rate in the West of England, and to a certain extent in Yorkshire also, was already organised on a capitalist basis; and both coal-mining and the more important branches of the metal industry had for technical reasons to be developed at an early stage on capitalistic lines. There was already a quite clearly marked proletariat in Great Britain well before what is called the Industrial Revolution of the second half of the eighteenth century. But it needed power-driven machinery and a wide extension of the factory system to give the various sections of the proletariat any consciousness of a community of purpose or any possibility of combined organisation.

Nor was this all that was needed. Indeed, when we look back in search of the origin of the Labour movement as a conscious force aiming at a change in the social and economic system, we find the clearest beginnings not among the older proletariat of the woollen industry or the coal mines, nor among the operatives of the newer cotton

factories in the North, but rather among groups of skilled artisans, whose work had been little affected by the coming of machinery and who continued to ply their crafts in much the same way as they had done for centuries before. It was this upper stratum of the workers, rather than the general mass of discontented and ill-paid miners and factory operatives, that first gave clear indications of an attempt to formulate a new outlook and policy based on some conception of working-class solidarity. The first definitely political society of working men of which we have knowledge was the London Corresponding Society, formed in the years immediately after the French Revolution by the Scottish shoemaker, Thomas Hardy, and a little group of Radicals who were mostly skilled artisans; and there is no doubt that the impetus which led to the formation of this society was much more political than economic.

Indeed, the London Corresponding Society began its career with the object of organising the skilled workers in support of middle- and upper-class movements for political reform rather than of formulating any specific body of working-class demands. Its members had been stirred by the events of the French Revolution into a demand for a fully democratic political constitution, based on adult or at least manhood suffrage, and embodying the French principles of "Liberty, Equality and Fraternity." They were confronted with a British Constitution which, so far from becoming more democratic, had been made more and more oligarchical since the "Glorious Revolution" of 1688. For the shifting of population in the course of the eighteenth century, and the development of new towns founded upon industry and commerce, had been unaccompanied by any change in the basis of political representation; and in consequence by 1789 the British Parliament had become much less representative of the truly dominant forces in British economic life than it had been a century before. The existence side by side of rotten boroughs, whose members represented in effect nobody but their owners, and of large unenfranchised towns and industrial



areas served continually to emphasise the oligarchical and unrepresentative character of the British Constitution—the more so because the institutions of local government were for the most part even rottener than the Parliament, and afforded no outlet for the desire to manage their own concerns which was growing rapidly both among the increasing middle classes and among the upper stratum of the working artisans. The London Corresponding Society stood, at its origin, for the aspiration of the skilled artisans to play a distinct and recognised part in the movement for political reform, in which they had been previously no more than an unrecognised adjunct to the middle- and upper-class reformers. They were not aiming at the creation of a separate movement, but only at the recognition of their distinct rights within a common development of which they were still content to leave the leadership in other hands. They needed their own society, not so much for the purpose of expressing different opinions from their “betters” in the Radical movement, as because the established Reform Societies exacted higher contributions than workmen could afford, and were in the habit of meeting under conditions which did not suit either the purses or the manners of the artisan class. Radical dining clubs were of no use to workmen, who could not afford a subscription of a guinea or more a year. They wanted to meet in public-houses or coffee-houses, to drink beer or coffee rather than wine, and to pay a penny or so a week, as they were accustomed to do in the Trade Clubs and Friendly Societies to which nearly all of them already belonged.

But the London Corresponding Society and the smaller bodies which speedily arose in Manchester, Norwich, Leeds, Glasgow, Newcastle, and indeed in every considerable town in the country, could not organise themselves on a working-class basis without beginning also to think with some degree of consciousness about their position as a class, or without attempting to make articulate the grievances and miseries of the larger proletariat which was far beneath them in income and education. Consisting of

skilled artisans, for the most part able to read and write and possessing a fair degree of education, often picked up through Dissenting agencies, and a tolerable standard of living, the members of the Corresponding Societies saw in the mass of far worse paid and educated labourers in the mining and factory areas both their natural allies in the struggle for recognition and a body of fellow-workers on whose behalf they were morally bound to make a stand. Consequently we find them speedily broadening their appeals, and adding to their purely political demands, for the sake of which their societies had come into being, economic claims on behalf of the wider working class of which they felt themselves the natural leaders.

This movement of the seventeen-nineties, which can properly be regarded as the real beginning of conscious working-class organisation in Great Britain, was crushed before it had been allowed time to produce any permanent results. The ruling classes, under the influence of the panic which had been created in their minds by the successive phases of the Revolution in France, turned and rent every movement that seemed to threaten the established institutions of the British oligarchy, and were thoroughly determined to crush any incipient sign of radical organisation among the industrial workers—above all among the real “proletarians” who were now beginning to be concentrated in large masses in the new factory and mining areas. As potential fomenters of a general working-class revolt, the leaders of the London Corresponding Society and most of the men who occupied similar positions in the provincial and Scottish Societies were brought before the courts in the treason trials of 1793 and the following years; and, though Thomas Hardy and his immediate associates were fortunate enough to be acquitted in the famous London treason trials of 1794, most of the leaders in other parts of the country were less lucky in their jury, and the movement was for the most part effectively broken up by Pitt’s repressive measures. What agitation survived at all was driven underground, to attempt vainly to associate itself with the revolutionary movement

of the United Irishmen, to exert—possibly, but by no means certainly—some influence on the naval mutinies at the Nore and Spithead in 1797, and thereafter to be laid to rest until it was able to revive in a new form. This, however, was possible only when the fear of Jacobinism had died down, and when the long war had begun to stir up forces of unrest too strong to be totally repressed by Government persecution. The Corresponding Societies were suppressed by name in 1799, and in the same year the first of the two general Combination Acts expressly prohibited all forms of Trade Union activity, and provided new summary methods of gaoling those who still ventured to combine, even for purely economic objects.

The Combination Acts, which remained in force from 1799 to 1824, while they were ostensibly directed against working-class combination in the industrial field, were undoubtedly inspired more by political than by economic motives. They formed in effect part of the code of repressive legislation enacted under Pitt's influence in the last years of the eighteenth century. This conclusion is borne out by their actual administration. For it is abundantly evident, both from the records of prosecutions which have come down to us, and from the Home Office papers now available in the Record Office, that the steps taken against working-class combinations in the years after 1799 were far more often due to the instigation of the Government, or of county magistrates not directly connected with industry or commerce, than to the main body of industrial employers. Trade Unions, totally repressed at law, continued in fact to exist, and even to negotiate openly with employers and associations of employers, and usually no step was taken to put them down unless they were regarded as politically dangerous. Thus, the skilled artisans in the older urban crafts were for the most part left unmolested, and only on rare occasions did a particular body of employers, exasperated by a strike or resenting the claims made by the small trade clubs of the highly skilled craftsmen, invoke the aid of the law to put down combination among their employees.

On the other hand, in the mining and factory areas every attempt to form working-class combinations was promptly repressed as soon as it was brought to the notice of the county magistrates, and the Home Office was constantly sending letters and circulars to the magistrates inciting them to vigilance in the suppression of working-class organisations. Moreover, in these areas there developed the notorious spy system, of which Mr. and Mrs. Hammond have given a graphic account in their chapter on the "Adventures of Oliver the Spy."<sup>1</sup> It was impossible in Lancashire or in the principal coalfields for any body of workmen to hold together in a Trade Union for any length of time without having in their midst someone who reported their proceedings regularly to the magistrates—often, with fantastic exaggerations of what was actually being done. The activities of the spies and the severity of the repression differed, indeed, from time to time, according to the complexion of the Government and the state of mind of the upper classes. It was notably relaxed after Pitt's death, under the Ministry of All the Talents, and in the years after 1806 there was a considerable growth of working-class organisations. But when the Napoleonic Wars were over, and the widespread unemployment and distress which followed the collapse of war prices and war demand had created a movement of unrest throughout the industrial areas, the repression was promptly resumed with all the vigour of twenty years before.

There was, however, by this time a difference. In the seventeen-nineties the leaders of the Corresponding Societies had attempted to constitute themselves the spokesmen of the general mass of the working class, but there had been very little articulate response. The so-called "mob" of the years immediately after the Industrial Revolution was an anti-Jacobin and not a revolutionary mob. It burned down the house of Dr. Priestley, the Radical, and of other Dissenters and sympathisers with the French Revolution,

<sup>1</sup> *The Skilled Labourer*, by J. L. and Barbara Hammond (Chapter XII).

and not the strongholds of the established oligarchy. It was still the same mob that had followed Lord George Gordon; and the cry of "No Popery" was much more effective with it than any appeal to *sans-culottism*. But by 1815 the situation had radically changed. The Industrial Revolution had advanced much further, and high war-time prices and periodical unemployment due to the interruptions of trade by war and blockade had taught the growing masses of workers in the mines and factories a lesson in solidarity. Even after 1815 leadership had still to come for the most part from the skilled artisans; but these now found a mass following among the general body of industrial workers, and leaders were already beginning to spring up in the new machine industries, which had by this time been in existence long enough to create new groups of skilled workers for the operating and tending of the new machines.

Against this wider mass movement repression could not be directed with anything like the same effect as against the more inchoate movements of the seventeen-nineties. Leaders could be, and were, put in prison in large numbers. Particular organisations could be broken up; there could be massacres such as the famous Peterloo Massacre of 1819, when a great orderly reform demonstration was brutally broken up at the orders of the Government. But it was impossible for the post-war movement, however much it might be repressed, to be crushed out of existence: it was too strong and too widespread for that, and there was no longer the cry of Anti-Jacobinism to rally the frightened middle classes behind the repressive tactics of the oligarchs.

Indeed, the middle classes were themselves in a condition of great and growing discontent. Now that the war was over and the French menace finally removed, the manufacturers, traders and professional men of the rapidly developing industrial towns were demanding with ever-growing insistence a radical reform of the British Constitution. They wanted the rotten parliamentary boroughs swept away, the oligarchical constitutions of the corporate

boroughs drastically reformed, the seats in Parliament distributed so as to give adequate representation to the classes which felt that their money bags had enabled the governing class to carry through the long war to a successful conclusion. The middle classes wanted, too, a thorough overhauling of the system of taxation, and a new régime of freedom for the development of industry and trade. If they could persuade the working classes below them to fight on their side against the oligarchs, they were no longer prepared to join with the old governing class in the indiscriminate repression of all forms of working-class organisation. Manufacturers might be glad to have Trade Unions kept under for them by Government action; but there were some manufacturers who held that the Combination Acts were more effective in causing than in preventing trouble, and that they would be quite able to deal with their own employees without the aid of a repressive law which admitted of no logical defence. There were, moreover, Radical manufacturers who recognised that the removal of the Combination Acts, in giving freedom to the working classes to unite, would be likely to help towards giving working-class unrest a political bent, and would thus bring valuable reinforcement to the agitation for parliamentary reform.

As trade recovered after the war, the great movements of unrest which had marked the years immediately after 1815 died down; and it was in the lull which accompanied the revival of economic prosperity that the Combination Laws, largely through the artful manipulations of Francis Place, the famous "Radical tailor, of Charing Cross," were successfully repealed. Place and those who acted with him had argued that the removal of the prohibition on Trade Unions, so far from leading to an increase in working-class industrial unrest, would speedily enable the workers to master for themselves the inexorable laws of political economy and to realise that their wages were determined for them by these laws and could not be successfully raised by forming great combinations of trades, or by resorting to strike action over

a wide field. For Place and a section of the working-class Radicals who had absorbed completely the Benthamite doctrines believed in the "laws" of orthodox political economy quite as fanatically as the manufacturers themselves. They did not believe that Trade Societies would vanish altogether if the workers were given the freedom to combine. But they did believe that the ambitious projects for a "General Union of All Trades," then being actively discussed, would be given up, and that the Trade Clubs of the separate crafts would confine their efforts to negotiating purely local and sectional agreements, to protecting the system of apprenticeship, and to other secondary activities which would involve no challenge to the developing system of capitalist enterprise.

The actual sequel, however, to the repeal of the Combination Acts in 1824 was an immense outburst of Trade Union activity, accompanied by widespread strikes in many trades. Alarmed at these manifestations of unrest, the Government attempted in the following year to reimpose in part the abandoned prohibitions, and Place's law of 1824 was replaced by a much less liberal measure. But it was felt to be impossible to go back to the absolute prohibition which had been abandoned in 1824; and under the Act of 1825 Trade Unions were permitted to exist, although their activities continued to be hedged about with so many restrictions that, if the law had been strictly carried out, it would have been practically impossible for any strike to take place without involving its organisers, and even all those who took part in it, in severe legal penalties. Nevertheless, the fact that the absolute prohibition of combinations had been abandoned proved in the event more important than the precise text of the Act of 1825; and repression was never resumed with anything like the old intensity—though, as we shall see, there were still to be many occasions on which the Trade Union movement fell seriously foul of the law, and many of those who attempted to play a leading rôle in working-class organisation were still to pay the legal penalty of their proselytising zeal. Perhaps

it was felt in the excitements of the years between 1825 and the Reform Act of 1832 to be too dangerous to launch fresh attacks on the industrial movement; more probably it was no longer possible, in face of the divisions in the country upon the issue of reform, for the Government to rely on the solid support of the magistracy in suppressing working-class movements. At all events, from 1824 the Trade Union movement in Great Britain began to grow at an unprecedented pace, and societies which had hitherto been carried on mainly in secret—often under the guise of Friendly Societies—came out into the open. The oldest Trade Unions which exist to-day almost all date from the years immediately following the repeal of the Combination Acts in 1824. Many of them may be in fact substantially older, but not until the Combination Acts had been repealed did they dare to produce written constitutions or to publish documents recording their activities.

Meanwhile in the political field the working classes were playing an important part in the great agitation which led up to the Reform Act of 1832. But in this movement it was difficult for them to take an independent line of their own. Inevitably, they appeared in the movement as the allies, and to a certain extent the subordinates, of the more articulate middle-class reformers, who alone were in a position to get their views expressed in the unreformed House of Commons. If reform could be achieved at all without violent revolution, it would have to be carried through with the aid of one of the two great traditional parties; and the Whigs, so long excluded from office, save for very brief participation in the coalition Government of 1806, were obviously cast for the part of reformers. The Whig party was, indeed, hardly less oligarchical in complexion than the Tories, and to the extent to which it sympathised with the cause of reform this was not because its leaders had any belief in democracy, but rather because they thought they saw their way to constitute themselves the aristocratic leaders of the rising class of manufacturers and professional men. The Whig ideal of a reformed



Parliament was that of a Parliament still to be composed of undoubted gentlemen; but in future the gentlemen were to sit there with the aid of the votes of non-gentlemen, whose influence, based on the new wealth, had become too great to be ignored. The middle-class reformers, therefore, had the ear of the Whigs, and were able gradually to persuade them to commit themselves to a measure of reform wide enough to sweep away the rotten boroughs and to institute a thorough-going middle-class franchise. But the middle-class reformers had assuredly no intention of demanding enfranchisement for their own allies in the struggle. They were quite prepared to use the workers as a stick to beat the old régime; but they were as set against the "rights of man" and the "demagogic" demand for universal suffrage as the most diehard Tories.

The workers, then, found themselves in the position of having either to abandon all hope of parliamentary reform by constitutional means or to support the demands of the middle-class reformers, in the hope that the break-up of the old oligarchic system would be the first step towards their own enfranchisement and the ultimate advent of fuller political democracy. Most of the working-class leaders, headed by Cobbett, who yielded to none in his hatred both of the Whigs and of the middle-class reformers, accepted this policy as inevitable. But there was already a section among the workers which saw the new employing and trading classes as even more its enemies than the old aristocracy; and this section found a leader in the famous "Orator" Hunt, and organised itself in a body which, after several changes of name, came to be best known as the National Union of the Working Classes. Even this extreme section did not oppose the Reform Bill; but it devoted itself to the task of pressing continually the working-class demand for adult suffrage and complete political democracy. There was never the faintest chance that it could succeed; but the National Union of the Working Classes is nevertheless of very real importance in the development of working-class consciousness and of the working-class movement. It was

in effect the direct ancestor of Chartism—of that great movement of working-class political revolt which followed upon the triumph of the Whigs and the middle classes in 1832.

Although the failure of the working classes to secure enfranchisement under the Reform Act of 1832 had been throughout inevitable, the conclusion of the struggle in the creation of an essentially middle-class electorate which left the working-class allies of the middle-class reformers voteless as before, and confronted them thereafter with the political as well as the economic power of their employers, produced a great revulsion of feeling in the working-class world. Throughout the reform struggle Trade Unionism had continued to grow, and it had been taking on, largely under the influence of one man's ideas, an essentially new character. No one man can be acclaimed as the originator of modern Socialism, which arose simultaneously in the minds of a number of thinkers, as the outcome of the economic conditions created by the rise of the capitalist system. Socialism was born as a movement perhaps first of all in France, in the writings of Fourier and Saint Simon, and it was also adumbrated in France in the *Conspiration des Egaux* of Gracchus Babeuf in the years immediately following the Revolution of 1789. But Robert Owen can be reasonably claimed both as the founder of British Socialism and as the first man who definitely based his socialistic ideas and projects upon the new industrialism. It was under Owen's auspices that in the two years following the Reform Act of 1832 the Trade Union movement in Great Britain flared up into sudden revolutionary life, and the English working class acquired at least the rudiments of a Socialist philosophy to give meaning and coherence to the varied manifestations of working-class unrest.

Robert Owen, the leader of the great British Trade Union uprising of the early thirties, became famous at first as a successful manufacturer, ahead of his rivals not only in applying the new technique of machine production in the cotton industry, but also in realising that business success was fully compatible with fair treatment and a tolerable

standard of wages for his employees. The great cotton mills at New Lanark, which Owen took over from his father-in-law, David Dale, became a place of pilgrimage in the early years of the nineteenth century for all those who were anxious to study both the new industrialism at its most efficient, and the most advanced experiment in good living conditions and large educational opportunities for the employed workers and their children. At this stage there seemed to be nothing revolutionary about Owen's outlook; and despite his unorthodox views on religion and the "formation of character," he was in good odour with those in authority, the more so because he was a strong critic of all who believed in the efficacy of parliamentary reform as a means of amending the lot of the people. It was only in the years of severe unemployment and distress which followed the peace of 1815 that Owen appeared in a new guise, strongly urging upon the Government the need for adequate provision for setting the unemployed to work, and pleading for the establishment of co-operative communities, largely on the model of his own factory at New Lanark, as the best means of restoring the economic life of the country. At first Owen pressed these schemes upon the Government and upon the rich, and made no direct appeal for working-class support. Indeed, he was strongly criticised by the parliamentary reformers, who regarded him as a philanthropic but none the less dangerous adherent of reaction. But Owen's ideas, decisively rejected by the governing classes, began in the eighteen-twenties to meet with a wide response among working-class people. He was insistent that the evils of the new industrial society were traceable above all to the competitive principle upon which it was based, and that, if men were to set out, instead of competing one with another, to make collectively the best use of the great new productive resources which were at their disposal, it would be possible to ensure a high standard of living for all. He envisaged a reorganisation of the entire economic system on a basis which would eliminate the motive of private profit, and substitute co-operative

organisation in self-governing industrial and agricultural communities for the system of employment by capitalist masters. At first he himself thought of these communities as requiring leadership from above; for he believed that the qualities necessary for democratic self-government within them could be developed only gradually by new methods of education, designed to emancipate men from traditional beliefs and to give them a common equipment of ideas based on the conception of human fellowship and co-operation.

But when the workers took over Owen's ideas, they modified them to suit their own purposes, and in the growing Trade Union movement Owenism found a ready response. For the developing capitalist system was repugnant both to the older types of artisans, whose independence was being undermined by the growth of large-scale production and employment, and to the operatives in the new factories, who were irked by the hard driving and regular discipline imposed on them by the machine system. Both sections turned to Owenism as a way out of their troubles. The skilled artisans interpreted it as a method whereby they could emancipate themselves from the control of private employers and take over the conduct of industry through self-governing producers' associations of their own, while the factory workers and miners saw in it the means of escape from the pestilential atmosphere of the new industrial towns into model communities under their own control, and conducted directly in their interests. In these "Villages of Co-operation" they would again be brought closer to the land from which they had been driven, and factory work and agricultural work would be combined into a balanced system of co-operative production. Doubtless the leaders were far more conscious than their followers of the finer appeal of these Owenite doctrines; for most of the followers were merely reacting against conditions which they found increasingly burdensome, whereas the leaders saw in the new gospel a hope of obtaining by industrial action the democratic gains of which they had been disappointed in the political field.

Whatever the motives that led the workers to adopt Owenism as their gospel, there is no doubt that in the years immediately after the Reform Act of 1832 the new co-operative Socialism preached by Owen did become the prevailing doctrine among a large mass of the British workers, or that Trade Unions, inspired by the new gospel, took a tremendous leap forward. In 1834, at the height of its influence, the great Owenite Trade Union combination, the Grand National Consolidated Trades Union, claimed over half a million members, and there were said to be as many more organised in other large societies closely associated with it. A wave of industrial unrest and organisation swept over the country, and one group of workers after another came forward with plans for the complete reconstruction of the economic system on co-operative lines. The best known of all these projects was the plan of the great Builders' Union for the creation of a Grand National Gild of Builders, based directly upon the Union, and designed to take over from the private contractors the entire building industry of the country. In the National Gild there were to be no employers and no employees, but only a fellowship of men working together in a common service, for which they would receive from the community a just price. Similar projects were launched in many other trades, and one Trade Union after another set up, side by side with its organisation for bargaining with the employers, small self-governing factories and workshops designed to compete with the products of capitalist industry. Owen, through his system of "equitable labour exchanges," endeavoured to provide a market for the products of the new co-operative concerns by way of a sort of barter mediated by his new currency of "labour notes." There began to be talk, as there had been in the years immediately after 1815, of a general strike, to be launched simultaneously by the workers in all trades, and to end only with the complete supersession of private capitalism, and the institution of Owenite co-operation as the basis of a "new moral world."

Less than two years after the passing of the Reform Act

this great Trade Union movement was already in ruins. "Grand" and "National" it may have been, but "Consolidated" assuredly it never was. As fast as the workers became organised in this or that trade or locality, they were sure to fall into dispute with their employers, either because they had urgent grievances for which they conceived that the "Trades Union" would afford immediate remedies, or because the employers, realising the threat involved in the growth of the new movement, promptly locked out those workers who joined it. The Trades Union, therefore, found itself involved not in a single general strike paralysing the whole of capitalist industry, but in a series of sporadic strikes and lockouts occurring here and there, which drained away all its scanty funds. And then, just as it was coping with a host of sectional difficulties, the Whig Government launched its thunderbolt in the prosecution of the Dorchester labourers.

The famous Dorchester case is now more than a hundred years old, and in 1934 its centenary was celebrated by the Trade Union movement at the village of Tolpuddle in Dorset, from which its victims came. George Loveless and his fellow-labourers at Dorchester committed no other crime than the formation of an agricultural labourers' society, which was to form part of Owen's Grand National Consolidated Trades Union. But, as was usual in those days, they included in the regulations of their Union certain provisions, largely borrowed from the Freemasons, for ceremonies on admittance, and for the administration of oaths of loyalty to the Union. It was upon this part of their proceedings that the prosecution launched against them with the support of the Government was based. For there was upon the Statute Book an Act passed in the years of repression following the French Revolution, which laid down the most severe penalties against the administration of "unlawful oaths." George Loveless and the group of Methodist workers who had acted with him were arrested, tried and sentenced to transportation for the crime of administering such oaths to the novitiates of their unoffending

little society. At once it became evident that the entire structure of the Trade Union movement was under threat of legal demolition. Owen and the leaders of the movement promptly ordered all branches and societies to abolish all offending ceremonies of initiation. They organised a great series of protests against the Dorchester sentences; but the Government stood firm, and the unfortunate Dorchester victims were duly transported to Botany Bay.

It is impossible to say how much the collapse of the Grand National Consolidated Trades Union was due to the Dorchester case, and how much to the sheer magnitude of the difficulties which inevitably confronted it. It could hardly have succeeded, even in the absence of legal proscription, in bringing order into the chaotic movement of working-class protest against intolerable living conditions; for Trade Unions had to grow up gradually, and could not be created all of a sudden and welded together in a few months into a body capable of standing any serious strain. But, as matters stood, the Dorchester case administered the *coup de grâce*. Owen, recognising the inevitable, took steps to wind up the entire great organisation that he had called into being only a year before; and thereafter he personally played no active part in the history of Trade Unionism, though he continued for many years his advocacy of co-operative organisation, and working-class movements owed much thereafter to his followers.

Above all, many of the essentials of Robert Owen's doctrine were taken over and made the foundation of the Consumers' Co-operative Movement which entered on its successful development in the 'forties. For though modern Consumers' Co-operation has departed at many points from the ideas of the earlier Co-operative movement which arose side by side with the Trade Union movement in the years of Owen's greatest influence, Co-operation rightly looks back to him as its real founder; and the Rochdale Equitable Pioneers, who in 1844 put Consumers' Co-operation on a new basis at their famous store in Toad Lane, were ardent Owenites to a man.

The defeat of the great Owenite Trades Union did not mean the entire collapse of the Trade Union movement, for by this time Trade Unions in many industries had struck roots too deep to be pulled up, even in the most crushing defeat. The Grand National Consolidated Trades Union fell asunder, but many of the societies out of which it had been built remained, and after a temporary set-back began again to grow in strength and confidence. The continuous history of the British Trade Union movement goes back to the years when Owenism helped to provide its initial driving force. There has been since then no break in the continuity of organisation, though there was, after the defeat of 1834, a marked change of tone and temper. The first socialistic phase of Trade Unionism was over; and through the middle decades of the nineteenth century the Unions contented themselves for the most part with collective bargaining in the industrial field, without attempting any direct challenge to the capitalist system. But before Trade Unionism entered on this second phase, the working classes had again tried their hands at political organisation as a means of amending their lot.

The rise of the Chartist movement followed almost immediately upon the collapse of the Grand National Consolidated Trades Union. Two years after that collapse William Lovett and his friends were busy forming the London Working Men's Association. Most of them had been keen political reformers before 1832, and then ardent Owenites; and now that their hopes of a speedy change in society through Trade Union action had evaporated, they turned back to political agitation. Undoubtedly Lovett and his friends, when they drew up the Charter and began to create a movement for its advocacy, expected the path to political reform to be long and difficult. They were not looking for the immediate millennial results which Owenism had promised. They conceived themselves rather as the leaders of an educational crusade, which would gradually permeate the working classes and gradually create the conditions necessary for the extension of the franchise and the



reform of Parliament as a means to the remedying of economic grievances. They, like the leaders of the London Corresponding Society, were mostly skilled artisans, educated and relatively well paid. Unlike the half-starved factory workers in the North, they could afford to take long views, and to think in terms of a protracted campaign of political education. When they drew up the People's Charter, they had no conception of the character or immediacy of the struggle of which it was to become the symbol.

But the course of events speedily went far beyond the anticipations of the London Chartists, and forced Chartism into an immediate battle in which it had really no hope of success. Above all, this was due to the passing of the Poor Law Amendment Act of 1834, or rather to the steps taken from 1836 onwards to bring the new Poor Law into actual operation in the industrial districts. Up to 1834 the unreformed Poor Law had been based in the agricultural areas upon what is called the "Speenhamland" system, under which a bare subsistence income was assured to the agricultural worker by subsidies out of the rates. This system had never existed in anything like the same form in the industrial areas; but it had been the practice in times of economic distress to pay outdoor relief to unemployed workers on a scale which just sufficed to keep them alive. The purpose of the Poor Law Amendment Act was to destroy both these systems of relief—to sweep away the entire system of subsidies in aid of wages in the agricultural areas, and in the industrial districts to refuse, wherever possible, outdoor relief to able-bodied persons, and subject them instead to the workhouse test. The guiding principles of the new Poor Law were those of "deterrence" and "less eligibility." The lot of the recipients of relief was to be made deliberately worse than that of the lowest paid workers in employment, in order to deter men from living on doles—on the assumption that they could get work if they really tried, and if they did not attempt to stand out for excessive wages. The Act embodying these principles

was passed in 1834; but it was not until two or three years later that the Commissioners appointed to supervise its execution began seriously to apply it in the industrial North.

Before this the new Poor Law had been applied in most of the agricultural districts, but the agricultural workers were too weak and unorganised to be able to offer any effective resistance; and they had moreover been thoroughly crushed in what Mr. and Mrs. Hammond have appropriately called the "Last Labourers' Revolt" of 1830. It was only when the new Commissioners turned to the task of introducing the amended Poor Law into the factory areas that the real trouble began. At once there flared up in the North of England and in South Wales a great instinctive movement of protest against the withdrawal of the old privileges of outdoor relief; and the unrest was the more serious and widespread because the introduction of the "reform" coincided with a period of acute economic distress. There were huge mass meetings and some rioting; and the Chartist leaders, the one articulate group which existed to express the grievances of the working class, had no alternative to placing themselves at the head of this mass movement, and endeavouring to capture it for the Chartist cause. Lovett and the London Working Men's Association were swept aside from the leadership of the movement, and louder-voiced and more revolutionary leaders such as Feargus O'Connor and the Dissenting minister, Joseph Rayner Stephens, took their place.

The demands of the Chartists were, on the face of the matter, purely political. The Charter was in form no more than a revival and restatement of the old Radical case for manhood suffrage, annual Parliaments, equal electoral districts, payment of members, the ballot and no property qualification for members of Parliament. The Chartist orators urged that it was useless to look for the redress of economic grievances from a Parliament dominated by capitalists, and that only a thoroughly democratised political system would ever give the worker his economic rights. But although the form of the movement was

exclusively political, its mass content was almost entirely economic. Chartism as a mass movement owed its strength to economic distress, to the intolerably low wages of the employed workers, to the prevalence of unemployment, coupled with the refusal of outdoor relief, and, last but not least, to the hatred which a large mass of the workers felt for the horribly inhumane conditions under which, both at work and at home, they were compelled to pass their lives in the new industrial towns. No one can read the speeches of the Chartist leaders or the columns of Feargus O'Connor's *Northern Star*, which became the principal organ of the movement, without realising that Chartism had this essentially economic foundation.

But the Chartists, for all their success in rallying the working classes behind them, were beating their heads against a brick wall. It was impossible for the working classes alone, at that stage of economic evolution, either to make a successful revolt by physical force or to exact further reforms from the already reformed Parliament by constitutional means. The new governing class of Great Britain, based on the new powers of production, was far too firmly seated, and far too conscious of its own strength and of the enormous opportunities that were opening up before it, to consent to give up its authority or to share its new-found power with the class below it. There was a long process of capitalist development to be gone through before the working-class movement could possibly become ripe for the exercise of political power. For, as Marx said, no system is ever superseded until it has developed its full potentialities and become, instead of a means of advancing the exploitation of the resources of production, a fetter upon their further development. The Great Britain of the eighteen-thirties was a country still in the early stages of modern machine production. The new power of the machines had been applied only to a few industries, and even there incompletely. It was only beginning to be applied to transport by either land or sea. There was enormous scope for further improvement in the methods of

production by an extension of the use of the new powers; and Great Britain, far ahead of any other country in the technique of machine industry, was still only at the outset of her triumphant conquest of the markets of the world.

In these circumstances, what chance had the working class of successfully defying the might of the old and new governing classes combined? The old governing class had accepted the verdict of 1832, and could be relied upon to unite firmly with the new class with which it now shared political power. Against this union of forces the workers, though many, were but a feeble band, lacking both leadership and coherence, and doomed to defeat above all else because there was not in the dominant class that sense of failure which is everywhere and always the necessary prerequisite of successful social revolution.

Chartism was bound to fail; no skill of manœuvre, no unity of direction or strength of purpose, could have saved it. For this reason it is unprofitable to spend time in trying to trace the causes of failure in the particular defects of leadership and organisation which the movement undoubtedly displayed. The Chartist leaders at each critical moment—in 1839, in 1842 and in 1848—fell out among themselves. The “physical-force men” and the “moral-force men” argued endlessly about the right method of working for success. Some said that nothing could be done except by violent revolution, while others repudiated violence utterly, and maintained an unqualified adherence to the methods of constitutional agitation. Both sides were right and both were wrong. Each was right in saying that the other’s method was certain to fail, each wrong in maintaining that its own method had any chance of success. Chartism went down to defeat as certainly and irrevocably as the Owenite Trade Union movement of 1834. In 1839, and still more in 1842, it had an undoubted majority of the workers behind it; but by 1848 repeated failures had cost it a large part of its support. For the workers, realising that nothing could come of the Chartist agitation, had already turned aside to support other methods of action, and were

settling down to recognise the inevitability of Capitalism for the time being, and to make the best of the conditions which the new industrialism imposed upon them.

It has often been said that the Anti-Corn Law League killed Chartism. After 1842, when the Chartist movement reached its highest point in the great strike which spread over most of the industrial districts, the workers began to pass over from the cause of political reform to the cause of Free Trade, in which they could find the bulk of the middle classes on their side. The cry of cheap bread had a powerful appeal, despite the efforts of the Chartists to demonstrate, in accordance with the subsistence theory of wages vouched for by the orthodox economists, that cheap bread would mean low wages as well. Bright and Cobden, both stout opponents of factory reform, and the leading spokesmen of the manufacturers, talked over the workers to a cause which did at least promise some immediate results. The Anti-Corn Law League promptly won its battle, not unaided by the conditions of the Irish Famine. In 1846 Peel broke with his party, and repealed the Corn Laws, and Great Britain entered on the period of her Free Trade supremacy. For the British manufacturer, far ahead of his Continental rivals in the efficiency of his productive methods, needed no protection for his own wares, and could be only helped in the conquest of the world's markets by the availability of cheap foodstuffs for his workers and cheap raw materials for his factories.

Chartism flickered on for a decade after its lamentable fiasco in the Year of Revolutions, 1848. But it had ceased to be significant. By 1850 the British working-class movement was entering decisively upon a new phase. There was no further talk of Socialism, save in little gatherings here and there, where Owenites and surviving Chartists still made speeches to select audiences of the faithful. The Trade Unions were settling down to make the most of the opportunities provided by the developing industrial system for the exaction of higher wages and improved living conditions; and the employers, no longer fearful of Labour as a

revolutionary force, and more abundantly supplied with capital out of the rapidly increasing wealth of the middle and upper classes, were no longer so intent on repressing every form of working-class activity. Employers here and there began again to recognise Trade Unions, and to accept the principle of collective bargaining, though there were still ahead many struggles on this question of recognition, and it was long before Trade Unionism was well established as a bargaining force over industry as a whole. Some progress began to be made in the sphere of industrial legislation. Already in 1847 the textile workers had won the Ten Hours' Day under the Factory Act of that year; and the struggle for the Ten Hours had played its part in diverting the factory operatives from their demand for the Charter. Co-operation, too, abandoned its earlier revolutionary aspirations, and settled down to storekeeping on a basis of mutual trade within a capitalist environment to which it had ceased to offer any active or general challenge. Co-operative societies, paying interest on their share capital, and distributing their surpluses in dividends upon purchases to their customers, set out not to overthrow Capitalism, but to compete with it. Politically, working-class organisation for the time almost ceased to exist. The demand for reform died away, and realists among the workers incited their followers to pay no heed to Utopian agitators, but to concentrate all their efforts on making the best of things as they were.

Meanwhile, Socialism, which had thus almost died out in the land of its first blooming, was being developed under auspices very different from those of Robert Owen. The Socialist idea, as we have seen, had been born in France as well as in England, and while Owen was working out his Socialist theories at New Lanark, the successors of Saint Simon and Fourier were preaching in France a largely similar gospel, with the difference that their Socialism was based on a far less developed industrial system than that of Great Britain. This French Socialism, therefore, remained even more definitely Utopian than the Socialism of Owen. But it became the gospel, in both France and Germany, of

small groups of working men, as well as of a number of intellectuals belonging to the left wing of the various Continental Radical movements. Above all, there was a stirring of Socialist thought, largely based on winds of doctrine blown over from France, in many parts of Germany; and the young Karl Marx, attracted from his student days to the Radical wing of German Nationalism, was before long brought into contact with the doctrines of the French Socialists. In the eighteen-forties, while Chartism was crumbling away in Great Britain, Marx was beginning to formulate the doctrine of "Scientific Socialism," which was to become the intellectual gospel of the Continental Socialist movement. Expelled from Germany, Marx came, first in Paris and then in London, into close contact with the exponents of the various Socialist and Anarchist doctrines which were then prevalent among the advanced revolutionary groups; and in 1848, in the *Communist Manifesto*, he and his life-long collaborator Friedrich Engels set out for the first time a full statement of the new Socialism, and secured its endorsement by the Communist League, the most important of the numerous revolutionary organisations which then existed among the exiled Continental revolutionaries.

Marx's Socialism, as expounded in the *Communist Manifesto*, and in all his other writings, differs radically from the Socialism of Owen and of the French Utopians, as well as from the anti-capitalist economics of the early Socialist economists, such as Hodgskin and Thompson, above all in that it sets out to base its demonstration of the necessity of Socialism upon a comprehensive philosophy of history. Marx does not say that Socialism is inevitable; but he does seek to show that it is the logical sequel to the full development of the capitalist method of production, just as Capitalism was the logical sequel to the feudal and gild systems which it superseded at the end of the Middle Ages. For Marx, the entire history of Western civilisation consists of a succession of class struggles, each arising out of and corresponding to a particular phase in the development of

the underlying powers of production. The moving power behind all the great transitions in the history of Western civilisation is the changing character of man's command over the forces of nature. As men acquire new knowledge of the use of productive resources and become capable of exploiting the powers of production in new ways, they require for the effective use of their new knowledge changing forms of economic and social organisation; and these involve different political systems, different institutions of property-holding, different relations between men and things and between men and men. Marx saw the coming of Capitalism, from the economic point of view, as a demonstrable advance upon the system which had preceded it. Capitalism had triumphed over the institutions of the Middle Ages because it was better able to use the new and developing powers of production and to provide for a progressive increase in the total wealth of society. Serfdom had ended, and had given place to the system of contractually free wage labour, just as previously slavery had given place to serfdom, because the new form of labour was more efficient and more appropriate to the developing methods of production than the old. The social restrictions on property-holding and on the rights of private business which were characteristic of the feudal and gild economy had been broken down because the system of free enterprise was better calculated to secure the utilisation of the new and expanding resources of the economic world. Capitalism had won the battle against medievalism because it was economically a more advanced stage of social organisation.

But in Marx's view no form of social organisation can ever be permanent, because the underlying powers of production are in constant change. For a period extending over several centuries Capitalism continued to be the most efficient system possible to mankind. But there was bound to come a time when the accumulating changes in men's command over nature would make Capitalism in its turn, just as they previously made feudalism and the gild system, into means not of accelerating but of retarding economic



advance. Capitalism was bound to become in its turn a fetter on the development of the productive powers; and it would then be due to be broken and to be superseded by an alternative system more appropriate to the new phase of men's command over nature.

The logical inheritor of Capitalism could in Marx's view be nothing other than Socialism. For he held that, in the successive phases of economic development under Capitalism, there was a steady growth in the social and collective character of the processes of production. Large-scale industrialism came to stand more and more in need of collective co-ordination and control. The system of active competition and private enterprise gave place increasingly to various forms of capitalist combination, and the competition originally carried on between individual manufacturers came more and more to be a competition on the grand scale between vast producing groups—rival nations, rival imperialisms in the latest phase of all. The labourer himself under Capitalism became more and more *socialised*—more and more a mere unit of detailed labour whose individual product disappeared and became unrecognisable in what was essentially a collective and co-operative process. This disappearance of the individual product of the labourer and of the labourer's own productive individuality was necessarily accompanied by an increasingly collective outlook on the part of the labourers, who found themselves flung together in the developed capitalist system as a mass of productive power, no less a commodity than the machines and the raw materials upon which they worked. The logical outcome of this process was the completion of the developing socialisation which it involved, by the formal institution of an explicitly collective system, in which the whole community, organised as a producing unit, would collectively determine and execute the entire economic process. Socialism as a political system would be the expression in the political sphere of the achievement of this completed socialisation of the community's economic life.

But human events, Marx taught, move not of themselves, but because men make them move. The powers of production, regarded apart from the men in whom they are embodied or who exercise control over them, cannot act. They can only provide the conditions of action for human beings. Accordingly, even if the underlying explanation of the major movements of human history has to be conceived in terms of the changing character of the powers of production, it is also necessary to conceive it in human terms, by discovering through what agencies the economic and social organisation of the world is adjusted to the changing needs of the conditions of production. That is where Marx's theory of the class struggle comes in. Capitalism, he held, came into being fundamentally because it was the system best adapted to the exploitation of the powers of production at a particular phase of social development. But it could not have come into being without the activity of capitalists to promote it and fight for it. The organisation and agitation of the capitalist class were the means by which Capitalism as a system became securely established. Nor could this process be confined to the economic field; for, if Capitalism was to work successfully in developing the powers of production, it needed also to control the State and to secure for itself a system of law and government corresponding to the requirements of the economic order. The appropriate relationships recognised by law had to be those which the capitalists needed for the successful use of the resources of production, and the State had to be ready to act as the guardian of the interests of Capitalism against all who threatened it or refused to abide by its essential requirements. Accordingly, the capitalist class, as the new system developed, organised more and more intensively and consciously for the capture of the State, ousting or subordinating the old governing classes, or fusing them with itself to the extent to which they could fit in with the needs of the rising society. Marx saw the coming of parliamentary government and the extension of the franchise to the middle classes as the crowning phase in this development of the

capitalist State as the political guardian of the social conditions necessary to the development of Capitalism in the economic field.

With the advent of Capitalism, or at any rate with its attainment of full status as the dominant force in both economic and political affairs, the workers were left as the one subject class in society. There remained, it is true, intermediate groups between capitalists and workers—small masters and independent producers who continued to follow the traditional technique of small-scale production. But these, Marx thought, were being constantly crushed out and superseded by the further advance of large-scale industry based upon the machine. They were a dying group, and not a class capable of playing an active rôle in historical evolution. Consequently the struggle, which was previously above all else a struggle between the old feudal classes and the rising class of capitalists, now turned into a struggle between the dominant capitalists and the workers, who were previously able to act only as the subordinate allies of the capitalists against feudalism. Within the capitalist system the workers began to struggle for improved conditions and for a recognition of their human rights. They began to organise in Trade Unions and in various forms of political association; and the capitalists, intent on exploiting to the full the developing resources of production, were compelled, even against their will, to make easier the organisation of the subject class because they needed more and more to group the workers into large factories and industrial towns, and to subject them to a common system of regulation and exploitation. These conditions necessarily made working-class organisation possible, and gave the workers a growing common consciousness both of their subordinate position and of their collective power. Working-class movements, which began with the ventilation of sporadic grievances, came at length—when the Industrial Revolution had carried Capitalism to a developed stage—to acquire a common policy and to be grounded upon a common social philosophy—the social

philosophy which Marx himself was endeavouring to make articulate and precise.

But, in accordance with the Marxian principle, the workers, though they may begin their struggle against Capitalism at a comparatively early stage, cannot hope for victory until Capitalism has ceased to be the best available system for exploiting the resources of production, and has begun to break up owing to its own internal defects. Till then, the capitalists will be too strong, both economically and politically, for the workers to launch a successful attack upon them. But when once what Marx calls the "inherent contradictions of Capitalism" begin to make it impossible for the capitalists effectively to use the growing productive resources at their command, then the time comes for the victory of the working class.

These "contradictions of Capitalism" Marx sees above all in its inability, which he predicts, to find markets for the expanding productivity that is made possible by the advance of productive technique; for he holds that Capitalism, based upon the exploitation of labour, is under a necessity of keeping down the costs of production in order to maintain profits in face of international competition and is therefore bound in the end to fail to find adequate markets for all the goods which it is equipped to produce. As long as the developed capitalist countries can dump their surplus products in the less advanced parts of the world by ruining native industries and by a continuous process of investing their surplus profits overseas, this contradiction between capitalist producing power and the consuming power which it is able to distribute to the mass of the people can be overcome. But as more countries become industrialised, competition in the less developed parts of the world becomes more intense. Moreover, the export of capital is constantly leading to the industrialisation of fresh countries, and thus raising up fresh competitors against the capitalists in the already industrialised regions. The competition between the developed countries to find markets, sources of raw material and spheres of investment leads, Marx holds, to

the final, or imperialistic, phase of Capitalism, which is bound to find expression in wars destined to tear the capitalist system asunder. With the culmination in world wars of this imperialistic phase, the moment comes for the victory of the working class.

But this victory of the workers will be unlike all the previous class revolutions of history. For, for the first time, the advent of a new class to power will leave below it no class still to be exploited. When the workers overthrow Capitalism and win their way at length to political and economic power, the entire course of human history will enter upon a new development, for it can no longer be a question of the exploitation of one class by another, but only of the collective development of the resources of production by the entire membership of a classless and socially equalitarian society. There will doubtless be, on the morrow of the initial working-class victory, a period of transition during which the danger of capitalist counter-revolution will still remain, and the workers will therefore be compelled to create for the protection of the revolution a working-class State embodying the dictatorship of the proletariat as the ruling class. But this will be essentially a transitional phase; for in the new society all classes other than the proletariat are destined to be merged with the proletariat, not as a new ruling class—for the very principle of class implies class distinctions—but as fellow-members of a society working in common to make the best use of the resources available to all. At this point, Marx says, "pre-history ends, and history begins," implying thereby that the whole process of historical development will thereupon cease to obey the laws of class conflict, and begin to proceed in accordance with a new law of historical evolution which it is impossible for men at present to predict.

There is much more than this in the *Communist Manifesto*, and in the new Socialism which Marx and Engels embodied in the *Manifesto* and in their later writings. But my purpose here is not to give a comprehensive account of Marxism, but only so much as is necessary to explain the new phase

upon which the working-class movement entered when it began to base itself, at any rate in Continental Europe, upon the Marxian diagnosis. In Great Britain, indeed, Marxism has never, until quite recent years, had any substantial following. English Socialism has pursued, as we shall see, a distinct and individual course of its own. But the Socialist movements which grew up all over the Continent of Europe in the second half of the nineteenth century were in their foundations and doctrines essentially Marxist; and this bare outline of the Marxian doctrine is therefore indispensable to an understanding of them. To this development of Continental working-class movements under mainly Marxian influences we must now turn our attention.

The popular revolutions of 1848, in which Socialism was at no point able to play more than a subordinate rôle, were crushed out one after another in the next few years, and with the triumph of the reaction Socialism, which had emerged for a time into open activity in more than one Continental country, was again driven underground. Marx, living chiefly in London, continued his collaboration with Engels, and issued in a series of pungently polemical writings his comments on the successive phases of the European revolution from Socialist point of view. He began also to work upon that fuller statement of his new economic doctrines which he embodied first in an incomplete form in the *Critique of Political Economy*, published in 1859, and then more fully in the first volume of *Capital*, which appeared in 1867.

There were almost twenty years of literary preparation and of small-scale organisation of underground Socialist groups before the Marxian Socialist movement assumed again a defined form and character, with the creation of the International Working Men's Association in 1864. Thereafter followed the years of rapid growth and intensive organisation which culminated in the Paris Commune of 1871, thereafter looked back to by Marxian Socialists—until 1917—as the one veritable instance of the Socialist revolution in positive action. But the Commune was bloodily

crushed by Thiers, and the Socialist movement entered on a new period of suppression and underground activity. The collapse of the Commune was fatal to the International Working Men's Association, which was torn asunder by quarrels between the Socialist followers of Marx and the Anarchists grouped round Michel Bakunin. But although the First International thus perished in the years following the Paris Commune, the national organisations which had been built up under its auspices never disappeared in either France or Germany. Nor did Bismarck's Anti-Socialist Laws, enacted in 1877 in face of the rapid growth of Socialist propaganda and of the Socialist vote in the newly created German Reichstag, succeed in preventing the spread of the Socialist movement.

While, however, the German Social Democratic Party was in formal doctrine and in the phrascology of its pronouncements definitely Marxist, there soon arose within it a conflict of attitude of which the full consequences have become manifest only in recent years. Up to 1875 there were in Germany two Socialist parties, the Social Democratic Party of the Marxists, founded at Eisenach in 1868, and the German Working Men's Association, founded by Ferdinand Lassalle, and carried on by his followers after his death in 1864. In 1875 these two parties combined under Marxian leadership at the Gotha Congress on the basis of the famous *Gotha Programme*, which was a compromise between their respective points of view. Marx, an exile in London, protested strongly against the terms accepted by his followers in order to achieve unity. But so intent were the German Marxist leaders on the success of the negotiations that they went so far as to suppress Marx's letter of condemnation, which was only rediscovered and published after his death.

This controversy is important because it brings out the essential conflict which has existed ever since within the ranks of the Social Democratic parties which nominally accept the Marxian doctrines. The root difference between Marx and Lassalle was that, whereas Marx thought of the

coming of Socialism as essentially a revolutionary measure, to be achieved by the overthrow and destruction of the capitalist State, the Lassallians conceived it rather as the result of a gradual capture of the State and its conversion from an instrument of Capitalism into an agent of Socialist construction. The Lassallians stood therefore for the extension of State activities, especially in the sphere of industrial legislation and State recognition of working men's co-operative societies. They thought of the capitalist State as an instrument which, with the aid of universal suffrage, could be turned to Socialist uses as easily as it could be used by the capitalists while they were able to retain political control. For Marx, on the other hand, the State as it existed was not an empty vessel into which either capitalist or Socialist ideas could be poured according to the decisions of the electorate, but in its very nature an instrument of class coercion, suited to the needs of capitalist society but utterly unsuitable as an instrument for the achievement of Socialism. Marx wanted the Socialists to make war, in season and out of season, upon the capitalist State, pressing demands upon it, no doubt, for industrial legislation and for other concessions to the workers, but doing this with the object not of capturing the State, but rather of inconveniencing Capitalism and stimulating the movement of working-class revolt. For in Marx's view the mere conquest of a majority in Parliament would by no means turn the capitalist State into a Socialist State. It would merely confront the working-class majority in Parliament with a machine which they would be totally unable to use for their own Socialist purposes. Marx thought of the State as consisting, not simply of Parliament as the legislative instrument, and still less of the Lower House of Parliament as the organ of popular representation, but rather of the whole complex of governmental institutions, including in addition to the Parliament and the Monarch, the Civil Service, the Law Courts and Police and the Armed Forces—all, as he conceived, agents of capitalist exploitation. He was convinced that, if the Socialists merely set out



to capture Parliament, and by means of a Parliamentary majority to turn the State to serve their own ends, they would find themselves fatally entangled in the machinery of capitalist organisation, so that, instead of substituting Socialism for Capitalism, they would be compelled, by the necessity for carrying on the government and keeping the people at work, to do their best to bolster up the capitalist system. Marx held that in the concessions made to the Lassallians in order to achieve unity his followers in Germany had given away their case, and committed themselves to an evolutionary and reformist type of Socialism which would defeat the very objects which they had in mind. This view is of course precisely the view expressed in more modern times by Lenin and the Bolsheviks, who claimed, as against the Social Democrats, that they were the true spiritual heirs of Marxism. Nor is there any real doubt that on this point they were right. If we are to use modern phrases, Marx was undoubtedly a Communist, and not a Social Democrat, despite all the devotion expressed for the Marxian Scriptures by the German and other Social Democratic leaders. The only question that is open to any doubt is whether Marx, if he had lived in the twentieth century, instead of the nineteenth, would have held the same views as he actually expressed in face of the very different objective situation which existed at the time when his doctrines were formed.

For of course Marx had first formulated his essential doctrines before universal suffrage had been granted in any country, and before modern capitalist States had advanced any distance along the road of social reform. It was open to the Social Democrats of the early twentieth century to argue that, if Marx had lived to see the developments of the past quarter of a century, he would have changed his mind; but it was not open to them, without disingenuousness, to argue that he had in fact expressed evolutionary and State Socialist as against revolutionary Communist doctrines.

At the time when the *Gotha Programme* was adopted, there were few who saw these issues plainly. The extent

of the departure from revolutionary Marxism became manifest only when the Social Democratic Party secured a large representation in the German Reichstag and began to rally behind itself not only the German working-class electorate, but also a substantial part of the middle class, which disliked the autocracy of the German imperial régime. When that had been achieved the Social Democrats, organised as a parliamentary party, soon began to discover that they had to choose between a revolutionary form of agitation, which would forfeit a substantial part of the electoral support they had been able to secure, and the assumption of the status of a constitutional party, working not for revolution but for the peaceful and constitutional capture of the State machine. Gradually their acceptance of the second of these attitudes became more definite; and early in the twentieth century, in response to this real change of orientation, a section of the party began to agitate for an explicit "revision" of the Marxian doctrines. The German Social Democratic "revisionists," headed by the theorist Eduard Bernstein, were promptly routed by the apostles of orthodox Marxism under Karl Kautsky's leadership. But in fact, though the party continued to recite the ancient Marxian slogans, it followed the practical courses desired by Bernstein and the "revisionists." Long before the German Revolution of 1918, which plainly showed the true temper of the German Social Democratic leadership, the Social Democratic Party had gone over to an evolutionary form of Socialism, which made it envisage the coming of a Socialist régime as something to be achieved not by a sudden revolutionary struggle, but by a gradual change in the working of the capitalist State machine. That was above all why, when the revolutionary opportunity of 1918 presented itself, the leaders of the party shrank back from any attempt to turn Germany into a Socialist republic, and insisted that their task must be first of all the completion of the democratic structure of the German State. They wanted to share authority with the German capitalists because they conceived that the time would be ripe for the

establishment of Socialism only when German Capitalism had already held power, and demonstrated plainly its incapacity to further the economic development of German society.

Meanwhile in France the course of events had been somewhat different. When French Socialism came out again into the open after the years of repression which followed the Paris Commune, the French Labour Party was organised on a Marxian basis under the leadership of Jules Guesde. But Marx's leadership in the working-class movement had been far less complete in France than in Germany; and whereas in Germany the Trade Unions were organised under Social Democratic auspices and kept firmly within the circle of party influence, French Trade Unionism followed an independent course, responsive far more to Anarchist and semi-Anarchist than to Social Democratic influences. The French Social Democrats made great efforts to bring the Trade Union movement under their control; but in this they were defeated, and under the inspiration of Fernand Pelloutier the French *Confédération Générale du Travail* organised itself on Syndicalist lines, repudiating political action altogether, and aiming at the creation, by means of a general strike, of a society based on self-governing associations of workers. In this new society, they held, there would be no room at all for the State, or for any form of political government apart from the industrial organisations of the workers. This anti-political attitude of the Trade Union movement fatally weakened French Socialism as a political force; and in addition the French Socialists, lacking the unifying influence of the Trade Unions, constantly fell apart into conflicting groups divided on questions of both immediate and ultimate policy. When finally French Socialism was unified in 1905 under the influence of Jean Jaurès, its programme approached far more nearly to that of the German revisionists than to the original Marxian doctrines. But there were still within it sharp cleavages of opinion between the revolutionary and the evolutionary elements, and it

needed all the matchless skill of Jaurès in finding words which appeared to reconcile opposites to hold the party together.

In other countries too, the Socialist movements, even where they were founded theoretically upon a strict adherence to Marxism, more and more found the practice of Marxism inconsistent with considerations of political opportunism. Wherever the Socialists had the opportunity of becoming a parliamentary party and of wielding some influence in Parliament, the pressure of electoral considerations speedily became too strong to admit of the maintenance of the old revolutionary attitude. Wherever Parliaments held real power, the Socialist parties represented in them became, as soon as they attained to any real strength, definitely reformist and constitutional rather than revolutionary parties. But this situation did not exist everywhere. Above all in Russia, autocracy still remained practically unmodified, and there was no opportunity for the Socialists to attain to parliamentary influence. This is largely why Russian Socialism, despite internal differences, was able to retain its predominantly revolutionary character during the years before 1914. Yet even in Russia a minority, strongly influenced by the development of the Socialist movements in Western Europe, went over to the "revisionist" doctrines, and the Mensheviks split away from the Bolshevik majority, whose leaders were able in exile to reproduce for themselves the mental atmosphere of the formative years of Marxian Socialism.

It is now time to return to a consideration of developments in Great Britain. As we have seen, after the collapse of Chartism, working-class political organisation for a time practically disappeared, and the energies of the working-class leaders went into the building up of the Trade Union and Co-operative movements as defensive organisations within the capitalist order, to which they refrained from offering any decisive challenge. There was, indeed, during the early 'sixties a revival of political agitation; and Marx for a time succeeded in drawing a number of the British

Trade Union leaders into the International Working-men's Association. But the agitation of the 'sixties was merely a revival of the demand for a reform of Parliament by the further extension of the franchise, and in it the working-class leaders fought as allies of the more advanced middle-class Radicals, such as John Bright, who wanted to broaden the basis of representation in order to secure reinforcements for their assault against aristocratic privilege. At length in 1867 the urban workers, though not yet the workers in the country districts, got the vote, which came to them, in a characteristically English fashion, not from a Whig or Liberal Government, but at the hands of a Conservative Prime Minister, who was anxious to "dish the Whigs," and to secure working-class support against the manufacturing interest.

The Reform Act of 1867 was immediately followed by an attempt to organise a movement for working-class representation in Parliament, and in 1874 two miners' leaders secured election as the first "Labour" members. But it is significant that there was no attempt by the British working-class leaders to create an independent working-class party: they were seeking at this stage not to found a Socialist political movement, but merely to ensure the election of a few working men who would be able to voice working-class grievances in the House of Commons. In practice such "Labour" representatives as did secure election sat in the House of Commons as Liberals, and were even admitted in due course to subordinate positions in Liberal Ministries.

Meanwhile the Trade Union movement had grown rapidly in strength during the years of economic prosperity in the late 'sixties and early 'seventies. Since the collapse of Owenism, the Trade Unions, working simply for the protection of the interests of their members under Capitalism by collective bargaining and the provision of friendly benefits, had been able to enlist only those skilled workers who were able to pay fairly high contributions and had definite craft interests to defend. But in the great expansion

of Trade Unionism in the late 'sixties and early 'seventies there appeared for the first time since 1834 a marked tendency for Trade Unionism to spread to the less skilled workers. This was the period when for a few years Joseph Arch and other leaders succeeded in organising the agricultural labourers into Trade Unions, and when the gas workers, seamen and other classes of workers, who had previously been outside the range of Trade Unionism, formed societies and engaged in strikes and agitations on a considerable scale. In these years the engineers and ship-builders won the Nine Hours' Day by industrial action: the factory workers secured a great extension and improvement of the Factory Acts; and the miners, organised on a national scale, were able to secure legislation which for the first time enforced a tolerable safety code upon the reluctant colliery owners. These movements were largely the fruits of the economic situation; for at this time the supremacy of Great Britain in world markets was at its height, and there was a tremendous boom in almost all industries in the opening years of the eighteen-seventies. But in the great slump which followed this boom period the new Unions were effectively crushed; and even the more stable Unions of the skilled workers were driven back on the defensive during the years of unemployment and falling prices between 1875 and 1889. This set-back to Trade Unionism had also powerful reactions in the political sphere. For the Unions, intent on the defence of their economic interests, had no time or energy to spare for new adventures in the parliamentary field.

It was, however, during these years of depression that British Socialism was reborn. In 1881 Henry Mayers Hyndman organised the Democratic Federation, largely on the basis of the London Working Men's Radical Clubs, and began to appeal to the country to revive the Chartist movement, and create a new working-class political party. Almost at once the new body assumed a definitely Marxian basis, and became the Social Democratic Federation; and in the serious slump of the middle 'eighties its activities

were largely directed to an attempt to place itself at the head of the unemployed and to enlist working-class support by the ventilation of immediate economic grievances. It did not, however, succeed, as long as unemployment continued on a significant scale, in making any impression on the general mass of the working class, though it did important pioneering work in spreading Socialist ideas.

The real arrival of British Socialism came with the ending of the great depression towards the close of the eighteenth-eighties. The creation of the Miners' Federation of Great Britain in 1888, with the declared object of bringing the old policy of industrial pacifism to an end, and the great London Dock Strike of 1889, clearly showed the awakening of a new temper in the working-class world. The London Dockers' movement was prepared for and led largely by men who had got their Socialist schooling in the Social Democratic Federation. But the new movement was by no means prepared to accept the leadership of the orthodox Marxists, who were inclined to sneer at Trade Unionism as a backward and anti-Socialist force, and to place an exclusive reliance on political methods. What the British workers then wanted was not a purely political movement, conducting its propaganda in a Marxist phraseology to which they attached no meaning, but rather a movement which would directly express their industrial grievances and aspirations in language and in demands which they could more readily understand. Trade Unionism in the years after 1888 spread rapidly to new classes of workers, who had hitherto been regarded as unorganisable because of their low wages and their lack of a close common bond of craft solidarity. The leaders of the old Unions prophesied that this new movement would disappear as soon as the wave of trade prosperity again ebbed; and they fought hard against any attempt to commit the Trade Union movement to the new-fangled Socialist doctrines that were in the air. But the new Unions, though their strength did recede in the setback of the middle 'nineties, had come to stay; and their coming was also fruitful in the political sphere. There had

been, from 1888 onwards, sporadic activity in many parts of the country in the creation of local movements for working-class political action; and in 1893, under the leadership of Keir Hardie, who had been the principal spokesman of the left wing among the miners, these movements came together to form the Independent Labour Party as a non-doctrinaire non-Marxian Socialist rival of the Social Democratic Federation. The aim of the I.L.P. was from the first to achieve some sort of Socialism; but it wanted to state Socialism in native English rather than in Marxist terms, and to keep its Socialist advocacy far closer to the everyday grievances of the working class than Hyndman's exceedingly theoretical version of Marxism allowed. Because of this attitude it was the I.L.P. and not the S.D.F. that succeeded in rallying the more advanced elements in the working-class movement, and in creating the first effective Socialist organisation in Great Britain.

The weakness of the I.L.P. was that, in discarding Marxism, it had not succeeded in equipping itself with any alternative theoretical basis for its Socialism. But the means were at hand for remedying this deficiency. In 1889 a little group of intellectuals, under the leadership of Bernard Shaw and Sidney Webb, had published *Fabian Essays in Socialism*, and thereafter the Fabian Society poured forth a stream of tracts and manifestos in which it outlined a Socialist doctrine based not on revolutionary Marxism, but on a definitely evolutionary and gradualist conception of the working of social forces. The spiritual ancestors of the Fabians were John Stuart Mill and Jevons rather than Marx and Engels. They would have no truck with the Marxian theory of value or of the State; and they conceived the coming of Socialism definitely in terms of a gradual and peaceful democratisation of the machinery of the State, accompanied by a steady extension of the range and quality of the social services and of the degree of public control over industry. They were above all else State Socialists and advocates of nationalisation and municipal



enterprise. They aimed at bringing about by peaceful means the completely collectivist State, in which all important industries and services would be conducted either by the State itself or by local authorities or Co-operative societies recognised by the State as its appropriate agents in this or that particular sphere of industrial enterprise.

This Fabian philosophy of Socialism speedily captured the Independent Labour Party, and became in due course the theoretical basis of the Labour Party, which, in 1900, the I.L.P. at length persuaded the Trade Union movement to join it in creating. Fabianism also reacted powerfully on the development of Continental Marxism; for though, as we have seen, the Continental Marxists maintained unaltered the revolutionary phraseology of the Marxian scriptures, in effect the reformist policy which they adopted was greatly influenced by the development of the I.L.P. and the Labour Party in Great Britain. Bernstein, for example, lived for many years in England, and his "revisionism" was largely a restatement of English Socialism in Continental terms. In the Second International, created in 1900 as the successor of Marx's International Working Men's Association of 1864, the British Labour leaders, despite their non-Marxian theoretical outlook, never found any difficulty in co-operating harmoniously with Continental Social Democrats, who believed themselves to be followers of Karl Marx.

Thus when the Great War broke out in 1914 the European Socialist movement, though a large part of it was still professedly Marxist, had, all over Western Europe, become in effect a reformist and constitutional movement, working for evolutionary change, and looking forward to the gradual capture of the State and its conversion into an instrument of Socialist construction. Only in Russia was this conception of Socialism challenged by a really formidable revolutionary Socialist movement; though in Italy a considerable section of the Socialists had adhered more closely than elsewhere to revolutionary Marxism, and in France, Italy and Spain there were considerable Syndicalist movements aiming at

revolutionary change by industrial rather than political means. But although the repudiation of full-blooded Marxism was practically complete among the Social Democratic and Labour parties of Western Europe, the full extent of the change had been very imperfectly understood by the Social Democratic leaders themselves. They continued to use the old revolutionary phraseology, though now they gave to it a reformist meaning; and they fully believed that they, rather than the Russian Bolsheviks, were the true exponents of the orthodox Marxian doctrines. The extent of the change that had really taken place in European Socialism became manifest only after the second Russian Revolution of 1917, and during the years of political fluidity which immediately followed the war. What then became plain was that there were no bitterer enemies in Europe than the rival leaders of Communism and of Social Democracy, and that the Socialist movement was disastrously split up into two rival sections, between which hovered uneasily a mass of opinion that was unable to accept either the sheer revolutionism of the Communists or the unqualified constitutionalism of the orthodox Social Democratic leaders. Indeed, probably the great majority of the active supporters of the working-class movements in Europe found themselves in the awkward situation of agreeing neither with the Communists nor with the Social Democrats, but of being unable to discover any alternative rallying-point or any clear body of doctrine to which they could subscribe.

The strategic points of post-war European Socialism were clearly Russia and Germany. Great Britain and France both emerged from the war with their capitalist systems and their State organisations so far intact as to be proof against any immediate revolutionary attack. But the situation was very different in both Russia and Germany. In Russia the Bolsheviks were able to attain to power because, amid the utter collapse of the Czarist régime, they were the only group that definitely knew what it wanted, and was prepared to hold together in carrying its policy into effect. The Bolsheviks were able to seize and to maintain power because

they were prompt to take their opportunity as soon as it was offered them, and because they were able so to conduct themselves after their seizure of power as to keep the broad mass of the people on their side against the "White" counter-revolutionists who were sent against them, wave after wave, with the support of the capitalist Powers. In both these respects the Bolsheviks seem to have owed everything to their leader, Lenin. For it was Lenin who persuaded them, when they were hesitating, to seize their chance before it was gone; and it was Lenin who imposed upon them, by the sheer force of his personality, the opportunist policies of the early years of the new régime.

Lenin, indeed, realised that, provided the Bolsheviks kept a strong hold upon the central power and were ruthless in the exercise of their proletarian dictatorship against all attempts at counter-revolution, they could afford a large degree of opportunism in their handling both of the international situation and of the vast peasant population in Russia itself. Lenin persuaded the Bolsheviks to make the Brest-Litovsk peace despite its obvious injustices, and again to make an obviously unfair peace with Poland in 1920; and it was Lenin, too, who, when the country was in danger of collapse under the aggressive and ill-organised régime of "War Communism," caused the Bolsheviks to take a temporary step back in the "New Economic Policy," which again permitted private dealings and some restoration of small-scale capitalist enterprise. But while one half of Lenin's statesmanship lay in his clear recognition of the necessity for these concessions, the other and no less essential half lay in that rigid Marxism which caused him to insist above all else that the mission of Communism was to destroy utterly the capitalist State and to set firmly in its place as an instrument of the transition to Socialism a new working-class State based on a dictatorship of the proletariat to be exercised through the Communist Party. Whatever may have been the situation in Western Europe, clearly in Russia nothing but this strong dictatorship of a disciplined and organised party could have held the country

together or enabled the revolution to survive the difficulties of its early years.

In Germany events followed a very different course. The difficulties there were even greater than those which confronted the Russian Socialists, and every allowance must be made for these difficulties in judging the policy and attitude of the Socialist parties. For Germany was, far more than Russia, a defeated country, completely at the mercy, in a military sense, of the victorious Allies, who were in a position to penetrate and occupy her territory, as it was impossible to do in the case of the vast territory of the Soviet Union. Germany was, moreover, in danger of starvation, and her leaders felt themselves compelled to carry out the will of the Allies in order to secure necessary supplies. In these circumstances any attempt to turn the collapse of the Hohenzollern régime into a Socialist revolution in the Russian sense would have involved tremendous dangers and difficulties. It would probably have meant a strict Allied blockade of the country, and have confronted a substantial part of the German population with the danger of actual starvation. The Spartacists, headed by Karl Liebknecht and Rosa Luxemburg, would have been prepared to face these dangers; and it is possible that, if they had been courageously faced, the blockade which would undoubtedly have been threatened would not in fact have been maintained. But to the great majority of the German Socialists, as well as to other sections of opinion in Germany, it seemed that nothing could be done that would antagonise the victorious Allied Governments, and that this ruled out not only the continuance of the Hohenzollerns upon the throne, but equally any immediate attempt to establish Socialism. There were thus in the view of the Social Democratic leaders strong reasons why it was out of the question for German Socialism to follow decisively the Russian example; but it does not follow that the German Socialists were compelled to rush, as they actually did, to the opposite extreme.

For the new Weimar Republic which emerged out of the

chaos of post-war Germany was based upon a compromise which satisfied hardly anybody. It was a form of State in which nobody really believed, and behind it there was none of the driving force necessary to creative national life. The adherents of the old régime hated it, and most of the Socialists themselves could regard it only as a temporary makeshift imposed on them by the necessities of the immediate situation. It is true that the Social Democratic leaders do not appear to have seen the matter in this light; they seem, indeed, to have been the only people who did really believe in the Weimar Republic, as providing a form of democratic organisation which would enable them to carry on the gradual process of converting the German people to the Socialist faith. For, when it came to the point, the German Social Democratic leaders by no means felt themselves ready, even apart from the complications due to the attitude of the Allies, for the immediate establishment of Socialism. They had always regarded Socialism as something that would come gradually by way of cumulative instalments of social reform; and when the responsibility of laying the foundations of a new State was abruptly thrust upon them at the conclusion of the war they were utterly unready for the task. They welcomed the Weimar Republic as a means of postponing the responsibility for establishing a Socialist régime; and they showed alacrity to share power and responsibility with those *bourgeois* parties which they could persuade to collaborate with them in the new State.

But a large part of their followers certainly did not accept this view. Feeling more acutely the pressure of economic circumstances, and having been taught to regard Socialism as the appropriate remedy for economic distress, these followers wanted an immediate and decisive advance towards the establishment of a Socialist Republic. The attitude of their leaders disappointed and disillusioned them. For some years German Social Democracy was divided between two rival parties—the Majority Social Democrats and the Independents, who had split away from

them over the issue of the war. But the Independents soon found themselves threatened on the left by the rise of the Communist Party; and ultimately they split and disappeared, some of them going over to the Communists, while the rest returned to the Social Democratic fold. In face of the weakness of the Social Democratic leadership, Communism developed in Germany a strength which it was quite unable to acquire in any other country of Western Europe, and it was only the habit of disciplined organisation among the German workers which prevented the Social Democrats from losing to the Communists much more of their following than they did actually forfeit. German Socialism was thus divided disastrously between two groups, one of which, commanding the traditional allegiance of the larger number of workers, practically abdicated from any attempt to establish Socialism, while the other, steadily gaining ground at its expense, was attempting to apply to the German conditions an inappropriate policy and psychology imported from Eastern Europe.

The situation in post-war Germany has been discussed at some length because it brings out very clearly the problem which in the twentieth century confronts the Labour movements of Western Europe. The Labour movement, in the course of its development during the nineteenth century, passed through a series of phases. It opened with a revolutionary phase based upon sharp reaction against the conditions created by the Industrial Revolution. At this stage, the workers, still unused to the new factory discipline and revolting instinctively against it, broke out into blind mass movements which had no chance of success against the overwhelming strength of the dominant classes in society. In the second phase, which was later in coming on the Continent than in Great Britain because Continental economic development lagged behind, the workers settled down to the new economic system and grew accustomed to the living conditions of the new towns and to the discipline of machine production. At this stage they abandoned for the most part revolutionary agitation, and resorted to a process of

collective bargaining through their Trade Unions, which no longer attempted to challenge the very foundations of the capitalist order, but only to improve within it the economic position of a privileged minority of the working class. Meanwhile, politically, the Social Democratic and Labour parties adapted themselves to the parliamentary régime, and, even where they continued to express their doctrines in revolutionary terms, developed a policy which was in fact evolutionary and "social reformist" rather than Socialist in any immediate sense. This policy of peaceful collective bargaining through the Trade Unions and peaceful parliamentary action upon the reformist plane was challenged in the years immediately before the war by the rise of Syndicalism in the Latin countries, and above all in France; and even in Great Britain the great labour unrest of the years between 1910 and 1914 gave clear indications of a change in the temper of the working class. But Syndicalism never penetrated to any extent beyond the Latin countries, and in Great Britain the development of Trade Union unrest before the war had not by 1914 made any considerable impression on the attitude and policy of the Socialist parties.

Undoubtedly this conversion of the working-class movements of Western Europe from a revolutionary to a reformist attitude was intimately connected with the parallel development of the capitalist system. It was not only that the workers had got used to capitalist conditions of employment, but also that the developing Capitalism of the latter half of the nineteenth century was able to offer in every advanced industrial country substantially improving conditions of life. Money wages could be raised fairly easily by Trade Union action in periods of industrial prosperity; and even in times of trade depression, when the Trade Unions had to play a defensive part, the fall in prices was generally great enough to cause the real wages of the employed workers still to move upwards. The standard of living of the working class in Western Europe was enormously better in 1900 than it had been half a century before; and despite the serious unemployment in the 'seventies and 'eighties the

improvement had been almost continuous in the case of those workers who were able to remain in fairly regular employment even through the bad times.

As long as Capitalism was able to maintain this situation it did not need to stand in fear of any revolutionary challenge. Socialism might grow as a doctrine among the workers, but it would be an evolutionary Socialism, offering only a distant and gradualist threat to the capitalist order of society. But in the early years of the twentieth century it seemed as if the tendency for working-class standards steadily to rise was already encountering a serious check. In Great Britain there was no advance at all in real wages, and in many cases there was a positive decline during the first decade of the new century.

This check to the advance of working-class prosperity largely explains the acute industrial unrest of the years immediately before the war. For a time the outbreak of war everywhere quelled the movements of industrial unrest. The Trade Unions agreed to abstain from strikes while the war was in progress, and most of the Socialist leaders, despite their professions of international solidarity, rallied to the causes of their respective States. But, even apart from this, the outpouring of money in the interests of winning the war did for the time enable the mass of the workers to live at a higher standard of life, at any rate in Great Britain, despite the enormous diversion of productive effort to the manufacture of implements of destruction.

The war thus provided the workers with an object lesson which they were not likely to forget. It demonstrated the vast potential productivity of the modern economic machine; and in Great Britain at least, as well as in the United States, the relative plenty of war-time prepared the mind of the working class for the putting forward of large demands for improved standards of living in the future. Nor could these demands, in the atmosphere of the immediate post-war period, be easily refused by the governing classes, whose leaders were anxious above all to restore the



foundations of the old order, and were prepared to make large concessions in order to get safely over the difficult period of capitalist reconstruction. The workers therefore entered upon the post-war world with substantially improved wages and conditions, and also with an equipment of social services involving a large increase in the volume of public expenditure.

After 1918 the Socialist parties, in accordance with the evolutionary doctrine in which they had come to believe in the latter half of the nineteenth century, envisaged the next stages in the advance towards Socialism as involving primarily further improvements along the same lines. The Trade Unions in the industrial field were to secure higher wages and more advantageous conditions by the extension of collective bargaining; for the Unions had added greatly to their membership during the war, and had spread to many trades in which no effective organisation had previously existed. At the same time the Socialist parties were to conduct their electioneering campaigns on the basis of promising large improvements in the social services; and the cost of these improvements was to be defrayed by heavier taxation of the rich.

But when Socialist parties, either alone or as the leading elements in coalitions of the left groups among the *bourgeoisie*, were called upon to assume office, they found the implementing of the promises which they had made by no means an easy task. States were weighed down by huge burdens of debt incurred during the war, or, as in the case of Germany, by claims for reparations. These increased the burden of taxation to an even greater extent than the improved social services set up in the period immediately after the war, and it became harder and harder to raise fresh sums by taxing the rich without provoking loud complaints that the height of taxation was acting as a powerful deterrent to the development of capitalist enterprise. The Socialists began to be faced with the dilemma that they had either to modify their programmes in order to render them compatible with the effective continuance of capitalist prosperity,

or else so to recast them as to involve a much more rapid and constructive advance in the direction of Socialism in order to dispense with the necessity of relying upon the continued "confidence" of the capitalist *entrepreneurs*. It became plain that the "limits of taxation" under Capitalism were easily reached, not because the wealth of the richer classes was exhausted, but because further taxation would seriously interfere with the willingness of the capitalists to provide employment or to invest further capital in developing the resources of production. It began to appear that, if further benefits were to be conferred on the poor by the State, the State would have to make itself directly responsible for ensuring an adequate demand for labour, and an adequate supply of capital for the development of the productive system.

The Socialist parties were exceedingly loth to recognise this dilemma, for they held that the continuance of their electoral progress depended on their being able not only to offer a sufficiency of immediate advantages to the working-class electorate, but also to reassure a sufficient section of the middle-class voters that the transition to Socialism would involve neither chaos and revolution nor any confiscatory measures directed against middle-class savings. Electoral considerations made the Labour leaders more disposed, in face of this difficulty, to modify their promises than to strengthen the constructively Socialist elements in their programme. But the adoption of this attitude tended both to antagonise a section of their working-class supporters, and so to lead to the growth of Communist and other left-wing tendencies, and also to make Labour and Socialist Governments, when they did assume office, look at times more than a little ridiculous. For their promises of amelioration in working-class conditions then looked more than ever like post-dated cheques drawn upon an indefinite future which their immediate programmes did little or nothing to bring nearer. This indeed has been the dilemma of all post-war West European Socialism. It has discovered that it is not easy to squeeze the capitalist orange without

"forfeiting capitalist confidence," and that, under Capitalism, it is upon the confidence of capitalists in the prospect of profits that the maintenance of employment and business prosperity depends. On the other hand, counting themselves parliamentary democrats as well as Socialists, the leaders of the various Socialist parties have deemed it neither desirable nor electorally practicable to resort to policies which involve a rapid advance towards Socialism at the cost of dislocating the capitalist system before they feel ready to put full Socialism in its place.

This situation directly invites two comments. In the first place, the difficulties in the way of an improved standard of living for the workers arise not out of any failure in the productivity of the modern economic system, but out of the failure of Capitalism to find means of making use of the enormous productive powers which exist in the modern world. This failure is largely due to the internationally competitive character of capitalist production, which forbids any one industrial State to go far ahead of its rivals in advancing working-class standards of living, because wages count everywhere as costs of production and have therefore to be kept down by any country which desires to compete effectively in the world market. But to keep down wages is, of course, to restrict the standards of living of the mass of the people, and in doing this to limit the demand for the commodities which the economic system is equipped to produce. This is the fundamental dilemma of modern Capitalism. In theory it admits of cure; for if all countries could be persuaded to act together in raising simultaneously the standards of living of their populations, no one country need find its competitive power impaired. But practically, in face of the scramble for the markets which exist, and of the economies of large-scale production which make each developed country anxious to expand its sales abroad to the farthest possible point, this world co-operation of capitalists can certainly never be established. The possibility that Capitalism could escape from its present dilemma of under-consumption by united world action remains a purely

theoretical possibility. When capitalists do combine internationally, they do this not in order to increase consuming power, but to restrict production and so maintain prices at an artificial height.

There is, of course, the alternative that particular capitalist countries might abandon the world market and set themselves on a basis of economic nationalism to the building up of mainly self-contained economic systems of their own. National planning of this sort could remove the limitations on the improvement of the standard of life if it were practically possible for countries to isolate themselves in this way. But though such a policy might be theoretically possible for the United States of America—and even there it could not be carried into effect without an enormous dislocation of the existing economic system—in the far less self-sufficient countries of Western Europe it is evidently out of the question. Both Great Britain and Germany, though they may attempt for a time to pursue policies of economic nationalism under stress of world crisis or intensive preparation for war, are in the long run bound to depend upon the world market, and have therefore no way of escape under the capitalist order from the dilemma of under-consumption.

That this is so is of course the fundamental contention of the Socialists in the economic field. It is the fundamental contradiction of Capitalism of which Marx foretold the fatality more than three-quarters of a century ago. It makes the case for Socialism far more immediately cogent than it was when Marx wrote. But though the case for Socialism has been immensely strengthened by the recent history of the capitalist system, there are other factors in the evolution of modern Capitalism which have made the actual attainment of it more difficult. These factors appear above all in the more recent changes in the class structure of advanced industrial societies.

When Marx wrote the *Communist Manifesto* of 1848, he presented a simple view of the class structure as it was then developing under the capitalist order. Society, he held, was being polarised into the two great classes of capitalists

and proletarians, between which the intermediate classes of small working employers and independent craftsmen were being steadily crushed out. The *petite bourgeoisie*, which Marx recognised in the *Communist Manifesto* as a distinct surviving class group, was regarded by him as necessarily in process of dissolution. It could intervene, as it did in the revolutions of 1848 and the following years, so as to confuse the issue between the *bourgeoisie* proper and the proletariat, but it could play no creative rôle in the making of history because its very existence was bound up with obsolete and disappearing methods of production. Marx envisaged it as certain to be of dwindling importance, and concluded that society in its further development would come to consist more and more obviously of two rival classes of fundamentally opposite economic interests.

The simplicity of this view by no means represents the present realities of the class-structure of advanced industrial societies. For, though Marx was perfectly right in predicting the gradual dissolution of the *petite bourgeoisie* of his own day, he was by no means so successful in anticipating the actual evolution of the capitalist system. Above all, there were two rival forces in Capitalism to which he seems to have paid altogether insufficient attention. The first of these was the tendency of the increase in the total national wealth to swell very greatly the ranks of the professional classes, who live not by direct participation in industry as capitalists or wage-workers, but by various forms of professional service. Doctors, teachers, lawyers, professional men of many different callings, and a host of black-coated workers dependent upon them, form an important element in the new *petite bourgeoisie* which has arisen in place of the old. Moreover, although the control of large-scale production and of industrial policy has passed into the hands of a dwindling group of great capitalist *entrepreneurs*, this has by no means involved the disappearance of classes intermediate between the *entrepreneurs* and the proletariat. As industry has grown in scale, the numbers and importance of the salaried workers employed in it have increased more

than proportionately. It is of course true that these salaried workers, from managing directors downwards through all the various grades of technicians, managers and administrators to ordinary clerks, all have the status of employees, and are workers in the Marxian sense. But in face of the enormous difference of income between, say, the managing director of a great industrial enterprise and the main body of the manual workers employed in it, there can exist no class solidarity in the Marxian sense among the whole body of employed workers under modern Capitalism. The more highly paid salary-earners have certainly no sense of being members of an economically exploited class, but in most cases feel themselves to be members of the same economic class as the *entrepreneurs*; and this class feeling among the higher paid salary-earners extends downwards through the lower grades of the salariat largely because it is more pleasant to regard oneself as a member of a superior than of an inferior social group. Snobbishness, as well as divergence of economic interest, stands formidably in the way of the economic solidarity of the entire body of employed workers.

Again, while Marx was right in predicting the disappearance of many of the independent craft workers and small masters of his own day, he could not realise the extent to which the coming of large-scale Capitalism would still leave scope for the survival and the actual extension of small mastership. Round each great capitalist industry, with its mass methods of production, there are grouped in the modern world hosts of "small men," either manufacturing "detail" products to which it is not worth while to apply the methods of mass production, or experimenting in new products which have not yet reached the stage of standardisation, or above all else, acting as dealers, repairers and agents on behalf of the large concerns. Marx did not and could not foresee the day when garage proprietors, installers and providers of electrical equipment and wireless sets, and a host of other small-scale business men, would reinforce the ranks of the *petite bourgeoisie*.

Moreover, Marx could not foresee the consequences on the social structure of the exigencies of capitalist production. As a social phenomenon Capitalism underwent a tremendous transformation when it finally changed over from a system of individual *entrepreneurs* and private partnerships to joint stock ownership. For the joint stock system became the means of reconciling the need for the accumulation of capital in large masses under unified control with the wide diffusion of the actual ownership of industrial undertakings. Even to the extent to which the small capitalist as a positive agent of production was crushed out by the development of large-scale industry, he reappeared not as a producer but as a shareholder under the joint stock system. It is true that, as a shareholder, he exerted practically no influence on the development of industry, and had no real control over the use to which his money was put. He became in effect a sort of *rentier*, drawing not a fixed income, but a variable share in the product of industry—a sleeping partner in the many concerns among which he portioned out his investments for the purpose of spreading his risks. But this, though it vitally affected his power over industry, did not prevent him from surviving as a member of a highly important intermediate social class, living at much the same standards as, and feeling a sense of social solidarity with, the other intermediate elements in society whose rôle is more positive than his. In fact, of course, the two groups consist to a substantial extent of the same individuals. The professional man or the member of the higher salariat is often to some extent an investor as well; and in both these ways he has a stake in the capitalist system, and an economic interest which he is apt to conceive of as bound up with its maintenance.

In advanced Western societies the growth of these intermediate classes, and of those who, for social or economic reasons, become more readily their hangers-on than adherents of the working-class movement, has been so considerable that, even if complete solidarity existed among the manual wage-earners, it would be barely possible for them, under

the conditions of universal suffrage, to establish themselves securely in parliamentary power without the support of a considerable number of members of the intermediate classes. Complete solidarity is of course never likely to be secured even among the manual workers, for there will be always and everywhere cross-currents which will prevent some sections even of the manual-working proletariat from voting on class lines. But even where a near enough approach to this solidarity has been arrived at for most industrial constituencies to become almost safe preserves of the working-class parties, it has not followed that these parties have been able to secure a majority in Parliament. Consequently there has arisen in one country after another a situation in which Socialism has become the strongest single political force, but has been unable to command sufficient electoral support to establish a Government based upon a clear parliamentary majority or to attempt, by parliamentary methods, any fundamental change in the social system. This is most likely of all to happen where the system of proportional representation is in force, as it has been since the war over a large part of Europe. But other electoral systems, even if they are based on single-member constituencies, are not much less likely to lead to the same result.

When this happens, a situation of stalemate is apt to arise. The capitalist parties cannot govern without the toleration of the Socialists; and the Socialists cannot govern without some measure of support, or at least toleration, from some of the capitalist parties. But, if a Socialist Government is formed under these conditions, it finds itself in a position in which it is almost impossible for it to take in Parliament any decisive step towards the establishment of Socialism; and it has either to refuse or resign office or to consent to form a Government under conditions which will involve it in working for the maintenance and prosperity of the capitalist order. But a Government which sets out to maintain a system in which it does not believe is not likely to govern well. For the worst of all policies may easily be the absence of any clear policy at



all, or at all events of any attempt to put a coherent policy into effect.

This difficulty, of course, constitutes the strength of the Communist case against Social Democracy. The Communists argue that such a confusion can be resolved only by revolution, and that no party which does not work definitely for revolution can be regarded as truly Socialist. But, whereas the Communists were able to assume power in Russia because under the far less developed Russian capitalist system there existed no strong and coherent intermediate classes capable of offering effective resistance to their dictatorship, this situation is by no means reproduced in the countries of Western Europe. The Communists have always opposed the idea that revolutions can be made by minority *coups d'état* against the opposition of a majority of the people. Their propaganda is designed to convince the majority of the necessity of revolution, or at least to secure the adhesion of the majority to the policy advocated by a revolutionary minority as against the existing order. But what is to happen if there is no real chance of securing the support of a majority for a revolutionary policy? In post-war Germany the Social Democrats had little chance of securing a clear majority over the combined *bourgeois* parties, but assuredly the Communists had even less.

In these circumstances the Communist policy has in effect amounted to the pursuance of revolutionary agitation, not with the object of an early establishment of Socialism, but rather with that of stirring up a revolutionary consciousness among as large as possible a section of the proletariat, and then waiting for the capitalist system to dissolve into such chaos as will lead the majority to rally at last to any cause that offers the prospect of an effective reconstruction of society. But this policy of constantly using revolutionary phraseology and at the same time postponing indefinitely the day of revolutionary action is exceedingly difficult to carry on effectively in any country which can still make the capitalist system work without positive breakdown, and possesses even to a limited extent the liberties of speech and

writing. Communism thrives most on repression—at all events when it is not too efficient; and the Governments of the Western capitalist countries, except when they find themselves plunged into extreme economic difficulties, have far too much the habit of toleration to become repressive in the degree required. If Communism does become a practicable policy for Germany, it will be above all Hitler whom the Communists will have to thank. Neither in Great Britain nor in France, nor in the lesser countries of Western Europe which have preserved the forms of parliamentary government and are able to carry on despite the slump without positive economic disaster, is the Communist policy capable of enlisting a sufficient degree of support to make it really formidable.

The real question, then, is whether in these countries Socialism, as distinct from Communism, can escape from the paralysis which has overtaken it, and devise a workable policy of peaceful and constructive change. If it cannot, the situation in Western Europe is likely to be one of stalemate. For it is highly improbable that Capitalism, even though it has shown itself able to climb some way out of the world depression of the early 'thirties, can reconstruct itself successfully so as to be proof against even more disastrous slumps in the future; and there is no sign at all that a plunge into Fascism can bring with it any remedy for fundamental economic troubles. For Fascism in its actual working out in the economic field amounts to a bolstering up of the forces of Capitalism by political means; it does not alter any of the essential features of the underlying economic situation. The difficulties which confront Capitalism under a constitutional régime confront it no less when the political system has passed under Fascist control. There is no real way of escape from the present dilemma of Western Capitalism save through the establishment of a Socialist system. For there is no way, short of Socialism, of releasing the pent-up forces of productivity, by making plenty, instead of scarcity, the object of economic action.

If, however, the Socialists are to be successful in establishing Socialism, they will have to show far higher qualities of imagination than they have so far displayed in the countries of Western Europe since the war. For they will have not only to rally behind them the support of the great majority of the manual workers, but also to enlist on their side an appreciable fraction of the intermediate classes, and above all of the technicians, administrators and professional men who occupy so important a position in the advanced economic and social systems of Western Europe. They are likely to achieve this result only if they can devise and impress upon the minds of the electorate proposals for a transition to Socialism which look competent and business-like as well as thorough-going. It does not in a propagandist sense pay the Socialist parties to look moderate; for if they try to convince the electorate of their moderation they only succeed in convincing it of their lack of will to establish Socialism. They then fall between two stools, gaining the confidence neither of the capitalists, who naturally prefer a Government which believes in the capitalist system, nor of the conscious and active section of the working class, which wants a constructive Socialist policy. But neither does it pay them to look extreme, if their extremism also looks incompetent and irresponsible to those sections of the population which, though they feel no attachment to Capitalism, have nevertheless, under the existing system, something to lose. For the large intermediate groups which exist in all the Western societies, while they may be fully prepared to contemplate a change to a Socialist system, are by no means prepared to support any movement that seems more likely to produce chaos than a new order. That is why the most vital task for the Socialists of Western Europe at the present time is the devising of well-considered and practicable plans for the speedy socialisation of the vital parts of the capitalist machine, on lines which promise to the competent technician and administrator expanding opportunities for useful and responsible service within the new system. These servants

of Capitalism are conscious already of the disorder into which Capitalism has fallen, and of the restrictions upon their opportunities which the decline of Capitalism and the reign of scarcity involve. They are prepared to listen to an alternative gospel if only it can be put to them in such a way as to sound workable and workmanlike. But they will only recoil from it if it seems to them to be animated merely by idealistic intentions, and not by an effective will to performance. They will not face chaos in the pursuit of an elusive ideal.

In order to satisfy this need, the Socialist parties of Western Europe will undoubtedly have to break away to a great extent from the traditions which have developed within them during the past thirty years. They will have to be prepared, not for the adoption of dictatorship on either the Russian or the Italian or the German model, but for a drastic reshaping of parliamentary methods of procedure, so as to adapt the parliamentary system to the requirements of rapid, but still constitutional, change simultaneously over a wide field. They will have, in addition, to abandon the hope of offering to their followers a rising standard of life merely by improving the social services or the conditions of labour without making any frontal attack upon the capitalist system. For they will have to recognise that a capitalist system in difficulties, dominated by an intense competition to lower costs in order to hold its place in the markets of the world, is in no situation to offer either higher wages or a larger taxable capacity. The Socialism which consisted chiefly of proposals for transferring sums out of the incomes of the rich to make up the incomes of the poor, without any radical change in the economic system, ceases to be practicable as the difficulties of Capitalism accumulate. It has to be recognised that the root problem of to-day is not that of taxing the rich, but that of ensuring that the greatly expanded resources of production which are at the disposal of mankind shall be effectively utilised for the production of wealth, and that this can be accomplished only by the supersession and

replacement of Capitalism as a mode of production. In fine, Socialism, if it is to rescue the world from its present disasters, will have to master the art of being at once thorough-going and eminently reasonable. It will have to learn how to play the political game without yielding to the temptations of ineffectual compromise which the political game involves.

For the Labour movement, which came into being as a movement of protest and defence against Capitalism at a time when Capitalism was still advancing towards new conquests, and was still able to promise an improving standard of life, has now lived on into a period in which the capitalist system is no longer well adapted to furthering the development of the resources of production, but is everywhere acting as a clog upon the use of men's greatly increased productive power. In the nineteenth century there was room for a Labour movement as an instrument of defence under Capitalism, but there was no real chance of the Labour movement attaining to power because the possibilities of capitalist development, so far from being exhausted, were still largely unexplored. In the twentieth century the situation has radically changed. The great age of capitalist development is over; the capitalist system has grown unadventurous and restrictive in its economic habits; and the world is ripe for an experiment in new social and economic methods.

It is, however, hard for Socialist parties and for Trade Unions, which grew up and developed their propagandist technique within conditions which are now disappearing, to adapt their policies and appeals to the new situation which confronts them. They have become used to thinking of the capitalist system as something which can be squeezed and is well able to grant constantly fresh concessions if only sufficient pressure is applied to it. They are slow to realise that this necessary condition for the success of an evolutionary policy of social reform no longer exists, and that Capitalism is not merely reluctant but positively unable to concede continued progress along the old lines. The

Labour movement in every advanced country has to transform itself from an organisation working within the assumptions of Capitalism—whatever ideals for the supersession of Capitalism its leaders might hold, purely as ideals—into a force prepared in the immediate future to deliver a frontal attack upon capitalist domination, and to assume the responsibility of setting up a new economic order in the place of the profit system. It is not surprising that everywhere this transformation is difficult to bring about, or that the older leaders of the Trade Union and Socialist movements find difficulty in adapting themselves to the new conditions. The question is whether fresh leaders who can adapt themselves will arise in time, and thus make the advent of Socialism politically possible. If they do not, then, through whatever throes of Fascist and other dictatorships the dying capitalist system may pass, I can see no prospect either of its effectual reconstruction or of the coming of any superior order to take its place. I can see only the prospect of a dissolution of the civilisation of Western Europe, in which not only Capitalism but all those cultural values which men ought to be able to hand on unimpaired from the existing to a more advanced economic system will be lost, and mankind in Western Europe have to begin again a climb up out of sheer disaster not less painful and protracted than that earlier recovery from barbarism which we call the birth of the Middle Ages.

## II

### THE EVOLUTION OF LABOUR POLITICS IN GREAT BRITAIN

HE who would understand the developments of the British Labour Party must first know something of the background of British political life. For the late arrival of Labour and Socialism as a political force in Great Britain is due mainly to the political environment in which the British Labour movement grew up. The British Labour Party was not founded—under its earlier name of the Labour Representation Committee—until 1900, and did not assume its present name or put forward its full claim to rank as an independent political party until 1906. Even its immediate forerunner, the Independent Labour Party, was not founded until 1893. Yet more than once during the previous sixty years the British working-class movement had seemed to be on the point of creating a political party of its own. The Chartists came near to this in the decade subsequent to the Reform Act of 1832; and in the years which followed the second Reform Act of 1867 the Trade Unions, profiting by the new enfranchisement of the urban artisans, seemed within a very little of constituting, through the Labour Representation League of 1869, a party of their own very similar in structure to the Labour Party as it exists to-day.

The reason for these repeated failures is to be found, on the surface, in the conditions of British political life and, beneath the surface, in the social and economic structure of British society. During the greater part of the nineteenth century, there existed among the British middle classes Radical elements disposed, and strong enough, to make a substantial bid for a considerable measure of working-class support. Again and again, the attempt to build up a stable political movement based upon the working class broke down in face of the ability of these middle-class groups to draw large sections of working-class opinion after them-

selves, in pursuit of immediate policies that could be most easily realised by the method of class-collaboration. In the struggle which preceded the first Reform Act of 1832, the contest for leadership was already evident. The middle-class Radicals who pressed the aristocratic Whigs reluctantly to take up the cause of Parliamentary Reform appealed to the workers to supply the pressure needed both to keep the Whigs to the strict path of duty and to break down the obstinacy of the Tory House of Lords. And the main body of working-class opinion, headed by William Cobbett, while it hated the Whigs and acutely disliked and distrusted the middle-class Radicals, was constrained to become their ally because it saw that only an alliance of classes would avail to get any real measure of Reform enacted in face of the opposition of the established ruling class. While, however, this became the dominant working-class view, there were already, in the National Union of the Working Classes and in other Radical bodies of working-class composition, strong protests against the alliance with the middle classes, and asseverations that the workers would achieve nothing as long as they allowed themselves to be led along at the coat-tails of the parliamentary Radicals. Henry Hunt, the famous "Orator" Hunt, was the chief mouthpiece of this section; and associated with it were many workers who were soon to take an active part in the Chartist crusade.

The Reform Bill, after riots, successive parliamentary crises and even threats of revolution, at length became law in 1832; and the workers, who had done much to secure its passage, found themselves still voteless and almost voiceless in Parliament. Cobbett and a very few others alone expressed their point of view in the reformed House of Commons; and the early legislation of the new Parliament—especially the Poor Law Amendment Act of 1834—was even more unpopular with the workers than that of its unreformed predecessors. The long reign of the new British oligarchy had begun. The reformed Parliament was indeed still predominantly aristocratic in composition; but the



British upper classes had widened their ranks to admit the new rich of the Industrial Revolution. In this they were, in effect, only continuing an age-long process. In the seventeenth and eighteenth centuries, and earlier still, what distinguished the British from Continental aristocracies was its openness to new men. Eighteenth-century Britain had readily, by land-purchase, preferment and inter-marriage, promoted the rich merchant into the governing class. The victory of 1832 opened the doors wide to the new industrial employers. After 1832, anyone who was rich enough could belong to the governing class.

Immediately, the effect of the Reform Act upon the workers was a widespread disillusionment. During the next few years they flocked into the Trade Unions, seeking, under the inspiration of Robert Owen, to achieve by mass industrial organisation what political action had seemingly failed to secure. But the Grand National Consolidated Trades Union, growing swiftly beyond its strength and forced into premature conflicts over an impossibly wide front, was crushed in 1834; and out of its ashes arose the Chartist Movement.

Chartism was the first large-scale venture of the British working class into independent political action. In its ranks were, of course, many who were not proletarians, and these included some of the outstanding leaders, such as Feargus O'Connor. But the entire movement was predominantly working-class in tone and temper, and also in local leadership. It sought Radical parliamentary reform as the means to economic ends, and drew its main body of support from the industrial proletariat of the North, the Midlands and South Wales. Its local leaders were largely skilled artisans—the intelligentsia of the working class; and their followers were mainly the depressed factory operatives of the new industrial districts, and the still more distressed handloom weavers and other groups of workers whom the competition of the machine was driving to desperation and blind revolt. For a few years, Chartism had behind it almost the solid support of the British working

class; but thereafter, in the eighteen-forties, it gradually broke up and, in the 'fifties, almost died away.

The explanation of this decay is two-fold. It happened partly because Chartism was, from the outset, attempting the impossible. The time was not ripe for the realisation of the Chartist demand for Universal Suffrage—much less of the economic programme which gave this demand its driving force. The new governing class, recently seated in authority, and strong in its fusion with the more mercantile elements in the old governing class from which it had wrung the concession of Reform, was much too sure of its own prowess and power of achievement, and much too strongly entrenched, to be even shaken by a movement based on the support of the working classes alone. The Chartists could never make up their minds whether to be revolutionaries or constitutional reformers; and their difficulty arose mainly from the fact that neither policy really offered any prospect of success. The workers were too weak, in face of the powerful and now unified governing class that was ranged against them, either to make a revolution or to force the Reformed Parliament to reform itself again so soon by merely peaceful agitation. Chartism, as a movement, was doomed from the outset to fail in accomplishing that which it set out to achieve.

This situation gave an alternative policy to that of Chartism its chance. While the governing class was united in its opposition both to further constitutional changes and to the economic aims of the Chartists, there was, both within and without the Reformed Parliament, a body of middle-class Radical opinion which regarded the victory of 1832 as only the prelude to far more drastic reforms. This group was, for the most part, not opposed to a further extension of the franchise, on the lines of Household Suffrage, designed to admit an upper stratum of the working class to a share in political influence; and some of its members were prepared to go the length of "Complete," or Manhood, Suffrage. But the group as a whole was not disposed to make the further reform of Parliament the main plank in its platform.

It attached much more importance to persuading or driving Parliament, as it then was, to adopt the economic policy favoured by the industrial employing class. Immediately, it concentrated its demand upon Free Trade, desiring the removal of all restrictions, but fighting the battle of Free Trade in general under the special form of an attack upon the Corn Laws, because in that form its policy was capable of rallying the widest support. The National Anti-Corn League, founded in 1839, at the very moment when the first Chartist Convention was in session, became the leading propagandist agency of the middle-class Radical movement.

To the underfed workers, the programme of the Anti-Corn Law League necessarily made a strong appeal. As the strength of the obstacles in the way of the Chartist policy were more fully understood, very many of the workers, especially in the North of England, turned away from the agitation for the Charter and began to follow after the League instead. John Bright, Richard Cobden and other middle-class Radicals who were behind the Anti-Corn Law movement seemed, after all, in contrast to the Chartists, to be seeking an immediately practicable change, instead of wasting time and energy on merely impossibilist aspirations. Therefore, as the Chartists, in the consciousness of defeat, began to quarrel with one another in an attempt to assign the blame, the exodus from the Chartist ranks quickened; and the effective leadership of the main body of working-class opinion passed more and more into the hands of the middle-class Radicals. This happened, although the Radical leaders plainly stood, above all else, for the free development of industrial capitalism and the fullest scope for the policy of individualism and *laissez-faire*. So remarkable a *volte-face* in working-class opinion was possible because, on the surface, the fight was not for these things, but for the free breakfast-table and against the extortions of the landlords. But the effect was to range the workers largely on the capitalist side; and when in 1846 Bright and Cobden and their followers secured the repeal of the Corn

Laws at the hands of the Conservative Prime Minister, Sir Robert Peel, their victory symbolised the complete triumph of the industrial employers over the old aristocracy on the one hand, and over the rebellious wage-earners on the other.

It is necessary to understand that, all this time, and indeed until the second Reform Act of 1867 altered the entire political situation, the middle-class Radicals practically formed a third party in the British Parliament, normally acting in independence of both Whigs and Tories, and throwing their weight into either scale as suited their policy best. The Whig party of the period between 1830 and 1867 must not be confused with the Liberal party of the later Victorian era, into which it was merged. Within a year or two of the Reform Act of 1832 the Radicals had already begun to assert their independence; and they continued to occupy at least a semi-independent position all through the subsequent decades. On the whole, this policy of independence served them well. It was the Tory, Peel, who abolished the Corn Laws, though he broke his party in doing so. The middle-class Radicals, by keeping their independence, were in a position to bring pressure on the Tories as well as on the Whigs.

From the collapse of Chartism until about 1860 working-class political sentiment, as a distinct influence, languished, though it never died. Meanwhile, under the driving force of the developing industrial system, the work of Free Trade was being completed; but Parliamentary Reform appeared for some time to be dead as a political issue. Under the leadership of Ernest Jones, who had succeeded O'Connor, the Chartist movement did its best; but few heeded the Chartists after the fiasco of 1848.

Working-class activity was mainly devoted to building up Trade Unions and Co-operative Societies on a stable basis among the more skilled and better-paid workers. Co-operation grew steadily from the foundation of the Rochdale Pioneers' Society in 1844; and Trade Unionism established itself firmly on craft lines from the establishment of the

Amalgamated Society of Engineers in 1851. The Co-operative Societies, however, kept for the most part wholly away from politics; and the new Trade Unions at first followed the same course.

Not until after 1860 was a change to be plainly observed. Thereafter the agitation for parliamentary reform began anew; and from about 1864 the Trade Unions began to take a leading part in it, urged thereto by their desire to secure the amendment of the laws relating to Trade Unionism and conditions of employment as well as by Radical political feeling. In this struggle, the Trade Unionists found themselves once more in alliance with the middle-class Radicals; and there was an active contest between the two groups for the leadership of the agitation. But in 1865 the death of Lord Palmerston, the old Whig leader, who had been the inveterate opponent of Reform, opened the way to the conversion of the Whigs to some measure of wider enfranchisement; and the Tory leader, Disraeli, fearing that the effect of allowing the Whigs to pass a Reform Bill would be to put them securely in power, allied himself temporarily with the Radicals to turn out the Government, and proceeded to pass the Reform Act of 1867, which at length conferred the franchise on the urban artisans.

In adopting this policy of "dishing the Whigs," Disraeli was attempting two things. He was bidding against Gladstone for the support of the articulate section of the working class; and he was at the same time limiting Reform to the urban constituencies, so as to leave the country areas intact. A Whig measure would almost certainly have included some further enfranchisement of the rural population, including the main body of miners outside the corporate towns. If Reform had to come it seemed better, from the Tory standpoint, to concede it in the boroughs, where alone the demand was too strong to be resisted, than to have it forced by the Whigs over the whole country. Disraeli, in carrying the Act of 1867 with Radical aid, succeeded in the second of these objectives, even if he failed in the first.

This Act, which enfranchised many more citizens than

the more famous measure of 1832, altered the entire political situation. Whigs and Tories alike had to transform their social policy in order to appeal to the new electorate; and for a decade the two parties vied with each other in passing Factory Acts, Mines Acts, Housing Acts, Trade Union Acts, and all manner of social and economic reforms. It was in this period that the Radicals fused themselves finally with the old Whig party, which emerged, under Gladstone's leadership, as the Liberal Party, and proceed to outbid the Conservatives for working-class support. From 1867 politics assumed a quite different shape, and the two-party system dominated British political life.

The Trade Unions had carried on the agitation for the Reform Bill through an *ad hoc* organisation called the National Reform League, which was largely based on Trade Union support and contributions. On the morrow of **their** success they replaced this body by the Labour Representation League (1869)—an organisation formed definitely in order to promote the return of working-class candidates to Parliament. Trade Union candidates had already appeared at the election of 1868—chiefly under the auspices of Robert Hartwell's and George Potter's London Working Men's Association; and in 1874 the movement scored its first election successes, and two miners' leaders—Alexander Macdonald and Thomas Burt—were returned to the House of Commons.

These, it will be remembered, were the years of the activity of Marx's International Working Men's Association, which had its headquarters in Great Britain, though it was never of more than minor importance in the minds of the British Trade Union leaders who figured largely upon its General Council. They were also years of great and incessant Trade Union activity, of many strikes, and of a very rapid increase in Trade Union membership—all in some degree the fruits of a period of rising trade and industrial prosperity. In one matter after another the Trade Unions won concessions—recognition of their associations from both Parliament and the employers, substantial rises in

wage-rates, and an important body of protective social and industrial legislation. But, as the eighteen-seventies advanced, the prosperity broke and dissolved. The great world fall in the price level began, and ushered in, for Great Britain, the series of commercial depressions which marked the next dozen years. Trade Union membership ebbed, strikes were lost and wages fell; and the Trade Unions had much ado to maintain their hold at all, by following a strictly pacific and defensive policy based on the fullest use of conciliation and arbitration that they could get the employers to accept. Among the less skilled workers who had been drawn into the movement in the years of prosperity, Trade Unionism practically disappeared; for only the craft Unions of the skilled workers, with the stabilising influence of friendly benefits to support them, were able to hold their members in the bad times. In this period of depression the rising political force of Trade Unionism was practically swept away. Allied with the middle-class Radicals up to 1867, the working-class political movement had never sharply differentiated itself from them on grounds of principle. The Labour Representation League had never distinguished clearly between the creation of an independent political movement and the mere return to Parliament of a certain number of working men, pledged to common action on Trade Union and kindred matters alone. It had aimed less at the creation of a distinct party than at following the precedent set by the middle-class Radicals in capturing the anti-Tory nominations against the Whigs in as many constituencies as they could. Though the League's candidates were sometimes forced to fight as third-party candidates, they usually did this only in order to strengthen their claim to be given a free run against the Tories in certain working-class areas. As long as trade remained good and Trade Unionism strong, they behaved in practice largely as an independent group. But when bad trade had taken the fight out of the Trade Unions, the Trade Union and Labour candidates either disappeared, or were virtually absorbed into the Liberal Party, which still seemed to many of them

to offer the promise, under Gladstone's leadership, of following a broadly popular and democratic course.

The trade slumps of the 'seventies and 'eighties put back almost for a generation the political growth of British Labour. Liberalism permeated the Trade Unions, in correspondence with their changed policy of conciliation and collaboration with the employers; and the Labour Representation League lost its real Trade Union basis, became a mere adjunct to the Liberal political machine, and finally died silently away by about 1881. The new birth of working-class political activity came from a quite different direction; and so far were the Trade Unions from being concerned in it that its initial attacks were very largely directed against them and their tame acceptance of a Liberal policy, even though Liberalism had ceased in the years of depression to offer them anything in return for their continued support.

In 1881 Henry Mayers Hyndman, a middle-class Radical journalist, founded the Democratic Federation, with the aim, which he expounded to Marx's somewhat sceptical ears, of reviving the Chartist agitation in a form suited to the changed conditions of the time. He hoped to build largely upon the Liberal and Radical Working Men's Clubs, then very strong in the industrial districts, and to detach them from their allegiance to Dilke and Chamberlain and the Radical wing of the Liberal Party; but in fact he secured only a small body of adherents. At first the policy of the new Federation was very nebulous, Land Nationalisation being the only feature in it with any Socialist tendency. But Hyndman himself was in process of conversion to the full gospel—as he understood it—of Marxian Socialism, then strongly reviving in Europe with the re-creation of Socialist parties; and most of those who joined the Federation were, or speedily became, Socialists in a more or less Marxian sense. By 1884 the conversion was complete; the Democratic Federation changed its name to Social Democratic Federation, and adopted a Marxian Socialist basis and a collectivist programme. But barely had it done



this when a split occurred. Next to Hyndman the leading member was William Morris, the famous poet and craftsman, who had come over from Liberalism to the Socialist doctrine. Hyndman and Morris quarrelled, and before the year was ended, Morris and his followers had seceded from the S.D.F. and founded a rival body, the Socialist League.

Amid the confusion which accompanied this quarrel, it is none too easy to disentangle the essential issues. But the most important dispute undoubtedly centred round the question of parliamentary action. Hyndman and his group wished to make the S.D.F. a political party, contesting parliamentary seats, whereas Morris and his followers were definitely hostile to this; some of them because they were revolutionaries and did not believe at all in parliamentary action as a means to Socialism, and others because at the least they considered that the Federation should confine itself to Socialist propaganda until its followers had become strong enough for its candidates to make a tolerable showing at the polls.

During the next few years the two bodies carried on their propaganda side by side. Both remained small, but for a time the S.D.F. gained considerably in influence when its younger leaders placed themselves at the head of the unemployed agitation which arose during the serious trade depression of the middle 'eighties. It did not, however, become nearly powerful enough to obtain any foothold in Parliament, or to be a serious factor in any parliamentary contest. The Socialist League, meanwhile, after doing good propaganda work, especially in Scotland and the North, was captured by Anarchist elements. Morris and his followers then resigned from it; and before long, deprived of their support, it died away to nothing, leaving the field to the S.D.F. and to Hyndman as its acknowledged leader, and to the Law and Liberty League, led by Bradleigh and Annie Besant, which fought a great fight to uphold the right of public meeting and procession against police and governmental attack.

The S.D.F.'s great chance came in the years 1888-9,

with the ending of the prolonged slump, and the rapid revival of Trade Union activity which accompanied the recovery of trade. The conditions of twenty years earlier were reproduced. Once more members flocked into the Trade Unions; and among the recruits were many thousands of the less skilled workers, who had dropped almost completely away from the movement during the slump. Among the miners, seamen, dockers, railwaymen and many other groups new Unions and Federations were formed, on a militant basis and without the friendly benefits on which the older Craft Unions had learnt to rely as the basis of their stability. These new Unions were crying out for leaders; and many of the younger members of the S.D.F. saw their chance, and seized it.

The S.D.F. as a whole, however, could not and would not adjust itself to the new situation. Hyndman's outlook and policy were exclusively political, and he had learnt to regard Trade Unions as reactionary bodies, hostile to Socialism, from which no help could be expected. His doctrinaire Socialism, expounded in purely theoretical Marxian and political terms, without any real understanding of Marx's political attitude, aroused no sympathy in the minds of the workers who were rallying round the new Trade Unions and were looking for immediate and practical remedies for their economic grievances. Hyndman held the S.D.F. with an almost despotic sway; but the wider movement, of which the S.D.F. might have assumed the leadership, slipped rapidly from his grasp.

The way was thus left clear for the growth of a new movement, more in harmony with the tone and temper of the active working-class bodies which were everywhere rising in revolt against the existing order. To fill this need it was necessary to appeal to the main body of the workers on the basis, not of a doctrinaire or theoretical Socialist faith, but of an immediate programme of economic reforms, designed to meet the demands of the new Trade Unions of the less skilled workers. To a great extent the leaders of the new Unionism in the industrial districts were men who had

grown up in Liberalism, and had only fallen away from it because it had failed to meet their economic claims. For the reforming zeal of Liberals and Conservatives had faded away during the great depression, and in face of the prolonged weakness of Trade Unionism there had been nothing to call it back to life. The older Trade Union leaders had for the most part become fixed in the Liberal creed, and had narrowed their aspirations lastingly to fit the conditions of the slump. The younger generation was impatient of their narrowness, and eager to take advantage of the opportunities presented by the revival of trade. But the new leaders wanted, not theoretical Socialism, but immediate economic reforms.

Already by 1889 new bodies were springing up in many localities with the purpose of giving the reawakened industrial movement a means of political expression. Local Labour Parties, Labour Leagues, Labour Councils and the like were created, with the object of welding together Socialists and New Unionists into a combined political force. A Scottish Labour Party, with Keir Hardie among its leaders, was founded in 1889. And at length, in 1893, most of the local bodies joined together in a new national society, to which they gave the name of the Independent Labour Party. James Keir Hardie, who had come to the front as the champion of the New Unionism among the Scottish miners, was from the first its outstanding leader. Hardie had been himself a Liberal. He had come round gradually to a Socialist attitude; but his Socialism remained of a non-doctrinaire and practical type which appealed strongly to the new generation in the Trade Unions. Hardie seasoned his speeches with quotations from the Bible and not from Marx. He appealed to the traditions of Radical Nonconformity and not of Continental Rationalism.

With the coming of the Independent Labour Party, the leadership of British Socialism passed definitely away from the Social Democratic Federation, which lost to the new body a good many of its active Trade Union adherents.

But the I.L.P. had still an uphill struggle before it; for when its founders had taken the decisive step of forming a new party, they had still to face the bitter hostility of the older Trade Union leaders, and even their hold over the younger generation was by no means yet assured. Moreover the I.L.P. had scarcely been formed when the wave of trade prosperity ebbed, and a renewed slump set in. The New Unions lost many of their members; strikes were again fought and lost under adverse conditions; and before long the older Trade Unionists were confidently prophesying the speedy dissolution of the new forces, and a return to a "sane" policy based upon the Liberal-Labour alliance. The group of a dozen or so Liberal-Labour Members of Parliament consisted mostly of officials of the older Unions of skilled workers; and between them and the new men of the I.L.P. a fierce contest was waged. In 1892, on the crest of the wave, three Labour men had been elected to Parliament as independents, but two of them—Burns and Havelock Wilson—soon dropped away into a semi-Liberal position, and Hardie, the only member associated with the I.L.P., lost his seat at the General Election of 1895.

Meanwhile, a great struggle was proceeding year by year at the Trades Union Congress. From the first, Hardie and his friends realised that they had created a Labour Party only in name, and that the one chance of becoming rapidly a real force in the political life of Great Britain lay in securing the active support of the Trade Unions. Thus, after the formation of the I.L.P. on a basis of individual membership, Hardie continued to work hard for his policy of the "Labour Alliance." By this he meant a definite electoral alliance between the I.L.P., as a Socialist body, and the Trade Unions—an alliance in which the Trade Unions would bring to the aid of a combined working-class party both their funds, based on mass contributions, and their capacity to influence the votes of a large section of the electorate.

The battle was fought out at successive Trades Union Congresses, with the greatest fury on both sides. Hardie

and his supporters denounced the older leaders and their reactionary policy in the name of Socialism and working-class independence, and were accused in turn of wrecking and disrupting the Trade Union movement and of being self-seekers out only for advertisement and for political success. All through the 'nineties the struggle was pursued with varying fortunes, but with the Socialists gradually gaining ground. The return of trade prosperity completed the victory; and at length, in 1899, the Trades Union Congress agreed to join with the Socialist societies in promoting the establishment, not indeed of a Socialist or Labour Party, but of a Committee designed to promote the return of independent Labour candidates to Parliament. In pursuance of this decision, the Labour Representation Committee was formed in 1900. The S.D.F. and the Fabian Society, as well as the I.L.P., at first joined it; but the S.D.F. soon withdrew, on the ground that the L.R.C. had definitely refused to commit itself to a Socialist policy.

When once the Socialists had got their way to the extent of securing the formation of the L.R.C., the issue was no longer in doubt. Gradually the Trade Unions became members of the new body; and gradually the Socialists impelled it towards both a Socialist policy and a clear declaration of its status as an independent party. The process of permeating the Trade Unions was not completed until the Miners' Federation, the leading supporter of the Liberal-Labour group of M.P.'s, came over in 1909. But before this most of the other important Trade Unions had joined the new body; and the Labour Representation Committee had both committed itself to a broadly Socialist policy, and, after the General Election of 1905, had changed its name to the Labour Party, and entered the political lists definitely as a separate party with a comprehensive policy of its own.

In accelerating this change the Socialists were greatly helped by the action of the law. In 1901 the Taff Vale decision, following upon a strike of the railwaymen on the Taff Vale Railway in South Wales, made Trade Union funds liable for damages caused by industrial disputes, and

thus endangered for all Unions the effective reality of the right to strike. This decision of the law courts, totally unexpected by Trade Unionists, rallied the entire Trade Union movement in support of a demand for amendment of the law, and caused more and more Trade Unions to enrol in the L.R.C. In 1900 the L.R.C. had secured only two members in the new House of Commons. In 1905, fighting in most areas as the ally of the Liberals, but on an independent platform of its own, it secured twenty-nine, and to these were added in 1909-10 more than a dozen miners. Moreover, the Liberals, who returned to power in 1906 with an overwhelming parliamentary majority, had pledged themselves to introduce a Bill to remove the obnoxious effects of the Taff Vale decision.

Liberalism, indeed, had itself undergone a change during its long period of exclusion from office; and the Liberal Government of 1906 speedily embarked on a considerable programme of social and industrial legislation. But before this there was a sharp tussle over the Taff Vale question, ending in a complete victory for the Labour Party, and the concession of the Trade Union demand for complete removal of the offending decision. This was duly accomplished by the Trade Disputes Act of 1906—the Labour Party's first great Parliamentary success. For in 1906 the Liberals had not yet taken the new party's measure; and, in the election, most Liberal candidates had pledged themselves to the complete reversal of the effects of the Taff Vale judgment.

Soon, however, difficulties began to multiply around the new party. The Liberals held so large a majority that they could easily out-vote Labour and Conservatives together; and for the most part their forward policy of social reform forced the Labour Party into supporting them in the lobbies. Before long the Government found itself at loggerheads with the Conservative House of Lords; and when the Lords had thrown out the Lloyd George Budget of 1909 it decided to appeal to the country for a modification of the powers of the Upper Chamber. The Labour Party could not but

support the Liberals on this issue; and at two consecutive elections in 1910 the Liberal and Labour Parties fought virtually in alliance. Both elections resulted in the return of the Liberal Government to office, but in such reduced *parliamentary strength that it now depended on the Labour and Irish parties for its majority*. A second difficulty then beset the Labour Party; for, unwilling to turn the Liberals out of power at the cost of risking the return of a Conservative Government, the Labour members found themselves compelled to support the Government largely on its own terms.

At this stage, when the question of Irish Home Rule was beginning to dominate the political situation, the Labour Party's attitude was again complicated by a decision of the Law Courts. In 1909 the House of Lords, in the *Osborne Judgment*, decided that all participation by Trade Unions in political action was contrary to law, though Trade Unions had in fact been taking such action unchallenged for practically half a century. This decision, of course, threatened the entire basis on which the Labour Party rested; but the Liberals were in no hurry to alter a state of affairs which, as long as it was maintained, gave them a firm hold on Labour support. The position of the Labour members of Parliament was relieved by the introduction of Payment of Members in 1911. But it was not until 1913 that an Act legalising Trade Union political action under certain stringent conditions was at length passed into law.

Working under these difficulties, the Labour Party, in the years between 1910 and 1914, was more and more strongly criticised among its own followers for its dependent attitude towards the Liberals and its failure to secure adequate concessions in return for its support. These rumblings coincided with a rapidly rising movement of industrial unrest, which swept through the Trade Unions. Throughout the first decade of the new century, prices had been rising, and the movement of wages had not kept pace with the increase. Strikes had been held in check up to 1906 by the effects of the Taff Vale decision, and thereafter by the political twist

given to the movement by the Labour Party's electoral success. But after 1910 industrial unrest grew apace; and, against a background of increasing economic prosperity, there was an outburst of strikes and a great increase in Trade Union membership. This period of aggressive industrial warfare lasted right up to the outbreak of war in 1914, and was accompanied by a vigorous movement designed to press the Labour Party to adopt a more independent and militant attitude. But in 1914 this controversy was abruptly cut short by the war, which for the next four years gave the entire movement a new turn.

It is not my intention to pursue in any detail the history of the British Labour Party during and after the World War. It is necessary for the purpose of this sketch only to indicate certain later developments in the barest outline. The outbreak of war at once produced a sharp cleavage within the movement; for, while the Labour Party as a whole gave its support to the war, and from 1915 took part, through certain of its leading members, in the successive Coalition Governments, the I.L.P., itself a section within the party, took up from the first a pacifist attitude. This involved the resignation of Ramsay MacDonald from the leadership of the Labour Party, and, for the time, robbed the I.L.P. of influence in its counsels. The quarrel, however, was never pushed to the point of an actual split; and, as the war passed through its changing phases, gradually a new opposition, seeking a negotiated peace, developed within the Labour Party. This new opposition rapidly gained ground after 1917, when Mr. Arthur Henderson, after his return from Russia, left the Cabinet and placed himself at its head; and, in the later stages of the war, the Labour Party, while it did not withdraw its remaining members from the Government, passed in effect into more and more definite opposition.

This was the situation in 1918 when, as the end of the war loomed in sight, the Labour Party began to prepare itself for the post-war struggle. Under Arthur Henderson's leadership, the party machinery was thoroughly recast.



Up to 1918, the Labour Party was a purely federal organisation, consisting solely of its affiliated Trade Unions, Trades Councils and Socialist Societies. A few of the local Labour parties, which were similarly constituted on a federal basis, had indeed admitted individual members; but this was still the exception, and in most areas the only means whereby an individual could associate himself with the party, except through membership of a Trade Union, was by joining one or another of the affiliated Socialist bodies. The I.L.P., with its Socialist creed and policy, was thus in effect the individual members' section of the Labour Party; for the Fabian Society was very small, and had in most areas no local machinery of its own.

The new constitution of 1918 aimed at a complete change in organisation. The structure of the party was completed by the rapid establishment of Local Labour Parties in almost every area in which none had existed before. Each local Labour Party now had, in addition to its affiliated branches of Trade Unions and Socialist societies, where they were to be found, a separate individual members' section. Membership of this section was open to all—to Trade Unionists who desired a closer connection with Labour politics than mere membership of an affiliated Trade Union involved, to members of the I.L.P. or any other affiliated society, and to any unattached supporter of the Labour Party's policy who chose to pay the very small contribution that was required. Armed with this new machinery, the Labour Party in 1918 made its appeal to the electorate, no longer as a mere federation of Trade Unions and Socialist bodies, but as the party of "the workers by hand and brain," ready to fight every seat and to take over the government of the country if the voters would respond to its appeal.

Up to 1914, Labour had been definitely a third-party group, with no thought of becoming the Government. But the war-time cleavage in Liberalism had altered the face of British politics, and the Labour Party now seized its chance of becoming the principal Opposition party. For this it needed a new programme as well as a new machine;

and in *Labour and the New Social Order* the party committed itself for the first time to a comprehensive programme of evolutionary Socialism, covering the entire field of both home and international affairs. Drawn up mainly by Sidney Webb, *Labour and the New Social Order* registered the completion of a process that had been going on from the moment of the party's birth—the acceptance of the full policy of gradualist collectivism which the Fabian Society had been preaching for the previous thirty years.

One important consequence of this change was to alter fundamentally the position of the Independent Labour Party in relation to the larger party which it had been mainly instrumental in creating eighteen years before. Keir Hardie's notion of the "Labour Alliance" had been that the I.L.P., as the Socialist section of the Labour Party, should undertake the political education of the Trade Unions, and draw them after it towards a full policy of Socialism. The I.L.P. was thus to form the left wing of the party, taking care, however, to advance no faster than it could persuade the Trade Unions to follow. But in practice, in the years before 1914, the I.L.P. had come to play a somewhat different part. Its most active leaders, apart from Hardie himself, were MacDonald and Snowden; and MacDonald, as leader of the Labour Party during these years, certainly could not be regarded as belonging to the "left." In effect, the I.L.P. had tended to become, not a policy-making group of Socialists in advance of the Trade Union leaders, but the individual members' section of the Labour Party as a whole. In the absence of any provision for individual members in the Labour Party itself, unattached supporters were disposed to join the I.L.P., whether their views were moderate or extreme. The I.L.P. leaders doubtless continued to think of themselves as upholding the banner of Socialism in a party not yet committed to it as a whole. But in practice this did not mean very much.

The war, of course, altered the I.L.P.'s relationship to the rest of the party, but not so as to make its specifically

Socialist character any the more clear. Opposing the war, whereas the Labour Party as a body supported it, the I.L.P. tended to attract to itself pacifists of every shade, from militant anti-war Socialists to conscientious opponents of mass-murder who were hardly Socialists at all. As the protagonist of the anti-war minority, the I.L.P. could no longer fulfil the function of serving the Labour Party as an individual members' section open to all; and the position thus vacated by it remained unfilled until the adoption of the new Labour Party Constitution of 1918.

After the war, the I.L.P. doubtless hoped to resume its old status within the reunited party. But, in face of the establishment of the local Labour parties on a basis which required them to enrol individual members, this was no longer possible. In Scotland, indeed, the I.L.P. was for a time strong enough to render inoperative that part of the new Labour Party Constitution which challenged its monopoly; but elsewhere local Labour parties began actively recruiting individual members, and the I.L.P. found itself under the necessity of reconsidering its function inside the Labour Party.

This, however, was not at all an easy matter; for the I.L.P. was itself sharply divided in outlook. One section inclined towards Communism; and this group before long broke away, and threw in its lot with the newly created Communist Party of Great Britain. A second section, headed by the best-known leaders, MacDonald and Snowden (Hardie having died during the war), was now largely in control of the Labour Party machine, and would do nothing that might embarrass the Labour Party in pressing on with its gradualist and moderate policy. In effect, this section now preferred to work mainly through the Labour Party machine, and desired to keep the I.L.P. alive as a convenient instrument for securing their own position in the party, but by no means wished it to follow a left-wing policy or to act as a "ginger group." Between these two extremes a third section held that the I.L.P. must become definitely the left wing of the Labour Party, with a mission

to convert it from a gradualist Fabianism to a policy of "Socialism in Our Time."

In the end this third group got its way. The Communist wing seceded, and the MacDonaldites, without for the most part renouncing membership of the I.L.P., became less and less active in it. Its position in the Labour Party was steadily undermined as the local Labour parties grew in membership and activity; and it became more and more unpopular with the Trade Union leaders. Nevertheless, with many vicissitudes, the uneasy alliance on until 1932, when at length the I.L.P., greatly reduced in numbers, seceded from the "Labour Alliance" which it had helped to create, and became a small separate party of the left, poised uneasily between the Communist Party and the left-wing elements which preferred to remain inside the Labour Party.

Meanwhile, the Fabian Society also was fading away. By 1918 its constructive work was finished. The Labour Party had adopted the Fabian policy practically *en bloc*; and thereafter Mr. and Mrs. Webb, on whom the Society had throughout depended for its driving force, preferred for the most part to work directly through the party machine. The Fabian Society did not die; but it ceased to make any distinctive contribution to Socialist policy.

The purpose of this essay has been to trace in broad outline the development of Labour politics up to 1918. It seemed necessary to add a few words in order to explain the reactions of the new Labour Party Constitution of 1918 upon the I.L.P. and the Fabians. But, apart from that, I do not propose in this particular essay to carry the story any further. In effect, I have been trying to explain how it has come about that, whereas all over Continental Europe Socialist Parties have grown up on a definitely Marxian basis, with complete Socialism as their declared objective from the outset, in Great Britain the course of evolution has been entirely different. Hyndman's attempt, in the 1880's, to create a British Social Democratic Party on the Continental model decisively failed. Keir Hardie's non-doctrinaire I.L.P., with a Socialist purpose but a social-

reform programme, and not Hyndman's S.D.F., won the day; and Hardie, in alliance with the "New Unionists" in 1889, went on to create not a new Socialist Party, but a "Labour Alliance." When the Labour Representation Committee was set up in 1900, the Trade Union leaders who joined it were mostly not Socialists, but rather Liberals prepared to collaborate with moderate Socialists in furthering a programme of social legislation in the interests of the working class. Gradually, the Trade Unions and their leaders were brought to accept some sort of Socialism, or at any rate Collectivism, as their final objective. But this process was not even formally completed until 1918; and between 1906 and 1914 the Labour Party worked almost continuously in practical alliance with the Liberals whom Keir Hardie and the New Unionists had at one time so vehemently denounced.

Nor, in accepting gradualist Socialism as its objective, did the Labour Party, even in 1918, really break away from its pre-war tradition. The difference was that, whereas it had been subordinate to Liberalism, the break-up of the Liberal Party had given it the chance to become the second party in the State, and to make a bid for office. This changed situation affected its attitude, but did not radically alter its policy. It remained in practice the party of social reform rather than Socialism.

Yet, as we have seen, the difference between the non-doctrinaire British Labour Party and the professedly Marxian Social Democratic Parties of Western Europe was not in practice very great. They used different languages; but when it came to the point they behaved in pretty much the same way. Indeed, Fabianism influenced Continental Social Democracy hardly less than British Labour. It seems as if, irrespective of the point from which the travellers set out, all parliamentary roads led to gradualism. Whether the Trade Unions dominated the party, as in Great Britain, or the party the Trade Unions, as in Germany, the practical upshot seemed, in 1918, to be much the same.

### III

#### THE EVOLUTION OF JOINT STOCK ENTERPRISE

THE modern capitalist age is the age of joint stock enterprise, and its outstanding achievement in economic organisation is the joint stock company. Wherever Capitalism appears and develops, the joint stock system develops with it. There are differences in the company laws of the various capitalist States, and some of these differences are important. But everywhere the essential institutions, by whatever names they may be called and however they may differ in secondary characteristics, are fundamentally the same. The joint stock company, or corporation, is as central and representative an institution of the capitalist world as the craft or merchant gild was of the medieval economic system.

Yet Capitalism did not invent the joint stock form. There were enterprises which possessed the essential characteristics of joint stock concerns long before modern Capitalism was born. The joint stock company, moreover, was a familiar and well established institution centuries before the advent of modern power-production made it indispensable for the conduct of ordinary industrial undertakings. It was legally recognised, and in certain cases politically influential in a high degree, long before what is called the Industrial Revolution. The East India Company and, later, the Bank of England were great political as well as economic powers more than a hundred years before Watt's improved steam engine, or the great sequence of inventions that revolutionised productive methods in the metal and textile trades. But joint stock concerns, though powerful and well recognised, were not the typical form of economic organisation in the seventeenth and eighteenth centuries, or even in the early decades of the nineteenth century. Adam Smith's dictum about them, with its exceedingly narrow definition of the purposes to which they

were appropriate, has been quoted again and again; and McCulloch, Ricardo's foremost populariser, could repeat Adam Smith's judgment practically unchanged half a century after the publication of *The Wealth of Nations*. Even Marx, in 1867, largely underestimated, in the first volume of *Das Kapital*, the significance of joint stock enterprise as an instrument of economic evolution, though he was well aware of the economic forces which were responsible for its growth. Only in the latter half of the nineteenth century did the joint stock company come thoroughly into its kingdom, and begin to reveal to the full its flexibility as a form of economic organisation, and its influence on the class-structure of the capitalist system.

These are the two aspects of the joint stock system which this essay sets out above all to examine—its flexibility, and its influence on class-relationships. For it is in these two things that its fundamental significance appears; and these, more than any other of its qualities, are the clues to the understanding of its place in the world of to-day and to the consideration of its future. They have enabled it to adapt itself to the vast changes which have taken place in the underlying technical conditions of capitalist production during the past fifty years, to make part of itself the phase of economic imperialism upon which Capitalism has entered, and above all else to counteract the tendency for the large capitalist to eat up his smaller rivals by broadening the basis of capitalist ownership, and by giving to Capitalism itself a bastard democratic form which has safeguarded it against the onslaughts of nineteenth-century political democracy.

The rise of joint stock enterprise explains the great paradox of modern Capitalism—its combination of an extreme individualist theory with a no less extreme corporative practice. The hero of the capitalist romances—miscalled textbooks of economic theory—has been the dauntless individual man of business, given free scope for his spirit of enterprise in a world of economic liberalism. The capitalist—the abstinent man who was not merely abstinent, but also the supreme director of his own personal

business of buying and selling, of getting things made, of adding at once to his own wealth and to mankind's—he, in all his individual glory, was the final justification of the capitalist system. The economists, and still more the tractarians who popularised their doctrines for the edification of the masses, sang his praises above all other men's, and reposed in him their hopes of human progress. And yet—their pindaric odes were hardly out of their mouths when one by one their heroes, by the simple device of writing “and Co.,” and then “and Co., Ltd.,” at the end of their names, were metamorphosed into abstract beings, and became capable of surviving mere bodily death. Singular became plural; individual turned into association: yet in such a way that the individual remained, and the hero of business romance could wield his battle-axe not merely with the strength of ten, but with the assimilated vitality of ten thousand shareholders.

For Capitalism, in becoming collective, did not give up its individualism. This individualism did, however, take on new forms, appropriate to the changing conditions of production. The earlier capitalist exemplified in his own individual person the twin virtues of enterprise and abstinence. He forwent the amenities of life, not only in order to put back every available penny of profit into his business, but also in order to toil away personally at making it a success. In the economic theory of this period the distinction, now familiar, between interest and profits, even if it was realised, was stressed hardly at all. Naturally so; for the typical capitalist of the Industrial Revolution was entitled to both—to profit as the reward of enterprise, and to interest as the reward of abstinence. Why mind the difference, if both accrued to the same beneficiary—to the same benefactor of the human race?

The emergence in economic theory of the stress on the difference between profits and interest coincides with the division of the capitalist person. The “man of enterprise” survives as the first creative agent of capitalist production; but at his side, feeding him with indispensable supplies of



capital, is his faithful friend, the "man of abstinence" who, by putting aside and investing a part of his income, enables production to develop even if he takes no personal part in its direction. It is a moot point at this stage which of these two is "the capitalist" par excellence: in effect they are the two kings of an undivided kingdom. For, if the man of enterprise cannot be enterprising without capital, neither can capital be fertilised for its possessors save with the aid of his ingenuity and drive. That was the theory of modern Capitalism in its middle phase of development.

But, as time went on, the system did not stand still. The investors, becoming a more and more numerous class, loomed larger and larger: the man of enterprise, on the other hand, lost stature as the scale of organisation grew larger, and as the actual business of controlling large enterprises had perforce to be functionalised and divided between a number of co-operating individuals. It looked as if the investor, who provided the money, were destined to become all-important, and the man of enterprise, no longer able to exercise a purely personal control, to be reduced to the status of manservant to the corporate body of investors.

This, however, could not happen; for the investor too was changing his nature. Less and less did he stake his fortunes on partnership with a particular man of enterprise, or even in a particular concern. Aided by the device of the easily transferable share of small denomination, he took more and more to spreading his risks, by scattering his savings among a host of different productive or trading enterprises. He involved his fortunes lightly in many businesses, deeply in none. Or, if he did not himself adopt this device of spreading his risks, special agencies arose to do it for him. Insurance Companies, Investment Trusts and other typical institutions of modern "broad-bottomed" Capitalism, were eager to mediate between the "saver" and the productive use of his money.

"Spreading," great as are its virtues from the standpoint of the individual investor, destroys collectively the investors'

power. For it means that the vast majority of those who invest their money in capitalist concerns have neither time, nor ability, nor inclination to regard these concerns in any other light than as mere agencies for the production of surplus value. Shares and bonds in industrial enterprises come to be mere certificates of claims to receive dividends or interest, saleable at a stock market value varying with business conditions and with the anticipated fortunes of each particular enterprise. Their owners, entitled to attend the company meetings and therewith by their votes to appoint directors to administer the businesses, cease in most cases even to consider the possibility of attendance, or to regard themselves as in any way responsible for the conduct of the enterprises which are legally their property. This is natural and inevitable; for what collective influence can possibly be exercised by a constantly shifting body of shareholders, scattered far and wide, unknown one to another, and for the most part utterly ignorant of the conditions of the industry or the business in which their money is embarked? Investors nowadays habitually buy and sell, in their own minds, not shares in the ownership and responsibility of a shipyard, or a steel works, or a chemical factory, but claims to receive from these enterprises an income, which may turn out well or ill. Occasionally, a scandal or a scare attaching to a particular company may attract a large attendance at a shareholders' meeting; but as a rule the great majority of shareholders no more think of attending a meeting than an atheist thinks of going to church.

In these circumstances, although the support of those who have money to invest remains the indispensable basis of the system of capitalist production, the persons who provide the money for the most part cease utterly to count, in relation to any particular business, as soon as they have made payment for their shares. Modern Capitalism does not become democratic with the growth of the investing public, even to the extent to which democracy is compatible with a system which accords votes to shares and not to men. It does not become democratic, even to the extent to which

a select vestry, with cumulative voting, can be regarded as an embryonically democratic institution. Its legal "parliamentarism," its paper basis of representative government, is a sham. It has no tendency, such as exists in political representation, to develop towards democracy, in the sense of a real evolution towards universal suffrage on the principle of "one man, one vote."

But if the suppliers of capital fail to take effective control of Capitalism, the individual man of enterprise also suffers a metamorphosis of his own. As we have seen, the growth in the scale of business and the increasing technical complexity of the processes of production combine to split up the actual management of industrial enterprises more and more among a number of specialists. The "employer" of the early nineteenth century was thought of—though he was not always so in fact—as the personal controller of a productive business, in which he gave all the orders and had practically the sole responsibility for success or failure, with only workmen, supervised by foremen who were little more than workmen, to carry out his orders. But this situation could not last: it was more and more altered, in two distinct and yet related ways, as the joint stock system became established as the essential foundation of capitalist enterprise. At one end of the scale, the individual employer began to turn into a co-operating group of working directors; and at the other the hired "labour" force came to include a rapidly growing number of technical specialists, managers, financial experts, buyers and agents, whose status and remuneration were a long way above those of the manual workers and of workshop foremen and supervisors. In some of the largest-scale enterprises, for example on the railways and in certain types of public utility undertaking, the "man of enterprise," administering the business for his own profit, absolutely disappeared, leaving behind him on the one hand almost functionless directors who did not direct, and on the other general managers and other high officials who conducted the business as salaried employees. This latter evolution, towards

control by salaried managers, went even further in Germany than in England; for in Germany it was aided by the adoption of a somewhat peculiar form of joint stock structure.

Thus the "man of enterprise," as he was conceived by the early apologists of Capitalism, was resolved by capitalist development into a number of separate elements. This disintegration of the original *entrepreneur* went step by step with the evolution of the joint stock system, which caused production to be more and more set on foot and regulated, not by individuals acting by themselves, but through large-scale organisations, in which decisions were reached by the joint deliberations of a number of different persons, each acting and thinking not merely as an individual, but as a member of a co-operating group.

It would nevertheless be quite misleading to suggest that, as a consequence of this evolution, the individual *entrepreneur* disappeared, or came to exist only as a survival in those sections of the business world where small-scale enterprise was able to maintain its existence. On the contrary, under the modern joint stock system the individual man of enterprise was re-born, but in a new guise. He reappeared in the joint stock system, not primarily as an employer or organiser and director of the productive process, but as a financier, concerned chiefly with the manipulation of capital assets, and only in a secondary sense with the production of goods and services.

For, though the form of joint stock enterprise is essentially associative, the joint stock company or corporation is in fact often an association only in form, and becomes, the more readily because of the apathy and ignorance of its members, the instrument through which a powerful individual can exercise financial control. One man may dominate many companies—may indeed throw off new ones with the fertility of a spawning fish—giving to each the shape and outward seeming of an independent association, while he remains in fact absolute master of their destinies. Or he may buy up controlling interests, and interlock company with company by complicated shareholding arrangements,

until the resulting tangle at once invites and defies graphical presentation.

Such instances are spectacular; and journalists love to tell of the "mystery men" of modern high business who control countless millions, and fling out joint stock companies over the globe as a sower sows seed. Certain types of business lend themselves especially to this form of personal domination—oil, armaments, public utility services (at any rate in the United States) and above all merchant banking in the broadest sense. But even these types of enterprise usually turn associative, at any rate in the second generation; for with the passing of the great man his power falls most often not to a single successor, but to a co-operating group of lesser giants. Nevertheless, huge authority continues to be concentrated in the hands of a very few, who wield together virtually absolute control over many more millions of pounds or dollars than even they possess; for there never was a device so favourable as joint stock to the getting of control by the richer capitalists over the capital of their poorer brethren. A company may have many thousands of shareholders, and yet be no more than one link in a chain of which the ends are securely held by one man, or by a tiny group.

The vital point, however, is that the control which is exercised in this way is often almost purely financial in its nature. If, at one end of the joint stock system, the general run of shareholders are interested in the concerns they chiefly own only as sources of income, and not at all as agencies for the production of goods, almost the same thing may be said, at the other end, of the master spirits of the business world. They too regard businesses as instruments for the making of money, by way of dividends or of capital appreciation, far more than as embodiments of a part of the community's power to produce the useful things on which money is to be spent. Concern with actual production passes from *entrepreneurs* on the one hand and investors on the other to an intermediate class of salaried managers and technicians, or to subordinate directors of

main or subsidiary companies, who are often simply the servants and exccutants of the financial *Führers* who really control high policy.

That this is often bad for the community of consumers, bad for the body of employed workers, and bad for the general mass of investors, has often been pointed out. For to regard productive agents merely as instruments for the realisation of money-values often results in dangerous distortions of vision and policy. Such an attitude lends itself to the ruthless shutting down of competitive undertakings, without regard to the social or to the wider economic consequences of the policy which is most attractive to the money-makers. It may result in the concerted limitation of production, and to the holding up of prices, at the consumers' expense. And it often leads to the rigging and manipulation of the stock market values of securities in ways which hit the inexpert mass of investors hard. For in the ceaseless buying and selling of stocks and shares, and above all in the flotation and disposal of new capital issues, the insiders are obviously at an enormous advantage over the general investing public, which knows much less than it could know if it tried, but cannot in any case know nearly enough to place itself on a footing of equality with the giants of high finance.

We have, then, a system of Capitalism which has placed by far the greater part of the major industries upon a joint stock basis, so that the legal ownership of the plants contained by them is widely—and coming to be more and more widely—diffused, the management of the actual productive processes largely in the hands of salaried subordinates, and the control of high policy more and more concentrated in the hands of a small number of individuals, who are much more financiers than industrialists—much more manipulators of monetary values than organisers of the production of goods and services. This is the underlying character of the joint stock system as it exists to-day; and we have now to consider more closely the ways in which this remarkable result has come about.

It is common knowledge that in the eighteenth and early nineteenth centuries the joint stock form of organisation was regarded with a large amount of mistrust, not only by economists such as Adam Smith and McCulloch, but also by politicians and by business men. The South Sea Bubble, and other incidents of a similar kind, had given joint stock projects and projectors a bad name; and from 1725 they had been definitely restrained by law. This did not absolutely prevent the creation of new joint stock enterprises, nor did it, of course, affect the position of such existing recognised institutions as the East India Company and the Bank of England. But it did mean that for a whole century of rapid capitalist development no new joint stock concern could secure the recognition of the law unless it was brought into being and obtained its authority by a special Act of Parliament—a procedure possible only in rare instances and adopted in practice only in the case of a limited range of public utility undertakings. Apart from such special creations by Act of Parliament, joint stock enterprises could be, and were in great and increasing numbers, formed in fact; but in the eyes of the law these enterprises had no corporate existence, and were considered as mere partnerships of a number of individuals trading in co-operation.

This want of legal status had very serious practical disadvantages. It is the privilege of every modern joint stock company to be recognised at law as an incorporated body distinct from the members composing it, so that the company itself can sue or be sued in a court of law, and can take action as a corporate body in any matter which falls within the scope of its authorised activities. This valuable privilege lies, of course, at the root of the entire recognition of the limited liability of the shareholders; for, as long as the company was regarded by the law as merely a number of individuals acting in partnership, each individual, even if he owned but a tiny fractional share in the company's property, was held to be personally liable without limit for its debts. The recognition of the limited liability of the

shareholders followed logically upon the recognition of the company itself as possessing a distinct legal personality, so as to be itself an owner of property distinct from that of its members. The history of the evolution of the modern joint stock system is bound up with the gradual admission by Parliament and the courts of law of the legal personality of companies which had previously been regarded as mere trading partnerships of a number of individuals.

There were other grave disadvantages in the position of those unrecognised companies which the needs of the economic situation brought into being in advance of the development of modern company law. For it was highly inconvenient to have to treat a company as merely a number of individuals acting together, especially when the number of shareholders became considerable and the personnel subject to constant change through the transference of shares from one ownership to another. In the course of a legal action brought against the individuals comprising such a company, the ownership of shares might alter, thus offering occasion for all manner of legal quibbles about whether a legal bill had been rightly drawn. Actions had sometimes to be dropped and started all over again because of such changes; and the use of the law courts for the collection of debts from an unrecognised company was always a perilous, and was apt to be an extremely expensive, business, much more profitable to lawyers than to anybody else. As the development of the new industrialism increasingly compelled businesses to adopt a joint stock structure, and to appeal to a wider body of shareholders to supply the larger masses of capital which the developing methods of production required, the absence of legal recognition and of corporate personality became more and more inconvenient. It acted as a strong deterrent against the use of methods which required a numerous body of shareholders, and it powerfully discouraged investors from embarking their money in any concern of whose success they did not feel sufficiently confident to be ready to assume an unlimited risk. It put obstacles in the way of the division of shares



into units of small denomination, and of their transference from one ownership to another. In fact, in the early years of the nineteenth century the legal status of joint stock companies came to be so much out of harmony with the needs of the economic system as to put serious barriers in the way of capitalist development.

Something was done in practice by the courts to mitigate the consequences of complete refusal to recognise the existence of any joint stock body not expressly authorised by statute. Gradually, by stages which there is no space to describe in this essay, the now familiar device of the "representative action" was developed, and companies were enabled to appear in the courts in the persons, not of the entire body of their shareholders, but of representative individuals selected as standing for the whole number of co-partners. But the courts for a long time admitted this type of action only with extreme reluctance, and subject to many qualifications. Indeed, the "representative action" obtained the degree of recognition which it has to-day, in relation to all manner of unincorporated associations, from golf clubs to philanthropic and propagandist societies, only after the corporate existence of such bodies as joint stock companies and co-operative societies had been fully admitted by statute, and rather as a reflection of changes in statute law than as a spontaneous modification of common law doctrine.

Doubtless, full legal recognition of the joint stock system would have been enforced sooner than it was by economic pressure had it not been possible, in exceptional cases, for large-scale enterprises to secure recognition by getting a special statute through Parliament. This method could be, and was, used where the need for a wide basis of shareholding and the recognition of limited liability was most evidently urgent. In a sense, the effective pioneers of the modern joint stock system were less the old statutory trading corporations, such as the East India and South Sea Companies, than the bodies of commissioners who were set up in the eighteenth century to make and administer the river

improvements and the Turnpike Trusts through which a more adequate system of transport was being gradually evolved. Road and river commissioners provided the model for the organisations on a definite joint stock basis which undertook, in the latter half of the eighteenth century, the building of the canals; and the canal companies in their turn passed on their structural form to the railways, which above all other types of undertaking prepared the way, in the first half of the nineteenth century, for the general recognition of the joint stock form of industrial enterprise. Public utility undertakings, such as gas companies and water companies, also contributed, from the beginning of the century, their quota to the growth of the new system; and a further influence which made in the same direction came with the rapid development of insurance. Moreover, repeated epidemics of bank failures, especially among the smaller country banks, made men realise the necessity for giving a broader financial basis to the system of deposit banking; and, rather later than insurance concerns, banks began to pass over to a joint stock system, and the monopolistic position of the Bank of England, as the only English joint stock bank, disappeared, leaving it free to develop for itself a new status as a Central Bank concerned with the note-issue and the conduct of Government business, and with serving as a "bankers' bank" and as a "lender of last resort."

All the earlier developments in the field of transport and the public utility services, which thus played a vital part in the growth of the joint stock system, were made by the passing of special Acts of Parliament, each conferring a defined status and exceptional powers upon a particular company. This was, indeed, in the first quarter of the nineteenth century the only method available; but there was also a special reason for it—one which has caused railways and gas, water and electricity companies, indeed most public utility undertakings, to retain up to the present time the special form of statutory or parliamentary companies, with a status differing from that of the companies

responsible for ordinary industrial production. This reason is that railways, canals, gas and water companies, and similar public utilities, almost all need special powers—for example, the right compulsorily to acquire land, or to dig up the public streets, or to exercise a monopoly of supplying a particular service within a defined area. These and similar powers can be acquired only by statute; and it is still necessary in most cases for any body which needs powers of this sort to get them specially conferred upon it by name by means of a distinct Act of Parliament—though in certain limited cases Government departments have been granted authority to confer such powers by a simpler and less expensive procedure. A railway company or an electricity undertaking is still not a company incorporated under the Companies Acts, but the creature of a special statute of its own; and commonly such bodies as railway companies have to come back again and again to Parliament for the amendment and amplification of their statutory rights.

As the number of bodies applying for such special statutes increased more and more rapidly in the first half of the nineteenth century, it was gradually seen to be desirable to simplify the methods by which they could receive the necessary powers. A precedent was found in the General Inclosure Act which had been first passed in 1801 and amended later, so as to lay down standard provisions which could be incorporated by reference into any special statute providing for the enclosure of a particular area of land. On this useful precedent were based the "Clauses Acts" of 1847 and subsequent years—the Gasworks Clauses Act, the Waterworks Clauses Act and a number of others, embodying standard clauses which could be incorporated by reference in the Acts dealing with particular undertakings. This institution of legislation by reference greatly simplified and abridged parliamentary proceedings. Indeed, without it the congestion of parliamentary business would have become intolerable. Moreover, the effect was largely to standardise the structure and methods of operation of

the statutory companies, and thus to make it easier for the law courts to work out a system of rules and precedents applicable to them, instead of having to settle each question as it arose in reference to the detailed provisions of a particular private Act.

This method of securing incorporation by special Act of Parliament was, however, available only in the case of undertakings falling within the sphere of recognised public utility services. Parliament would certainly never have agreed to grant the privilege of incorporation by Special Act to an ordinary trading or manufacturing concern, nor would it have been possible for most concerns engaged in trading or manufacturing processes to incur the heavy expenses involved in the promotion of a private Bill. But the same conditions as compelled the legislature to recognise the necessity for joint stock organisation of the public utility services were coming through the first half of the nineteenth century to apply to an increasing number of manufacturing concerns. It is true that the pressure for incorporation was for some time less urgent in these cases than in the transport and other public utility services; for the typical manufacturing firm of the Industrial Revolution remained small, and its conduct by an unincorporated body of shareholders or partners was by no means out of the question. Nevertheless by the second quarter of the nineteenth century the accumulating inconveniences of the unincorporated "company" had led to a keen and increasing demand for some sort of legal recognition of the company form of enterprise in manufacture as well as in transport and the public utility services. As we have seen, the Bubble Act, which had prohibited the formation of joint stock companies, was repealed in 1825; but it was not until ten years later that anything was done to legalise the position of the numerous companies which were actually in operation. In 1834 the legislature took the first step towards the formal recognition of joint stock concerns on a wider basis by general Act of Parliament. In that year was passed an Act enabling the Crown by Letters Patent to grant to

unincorporated companies the right under certain restrictive conditions to sue and to be sued in their corporate names. But Letters Patent were not easy to secure, nor were the privileges granted under the Act of 1834 very extensive. Consequently ten years later came a further Act, under which it was made possible for companies which were in fact, though not in law, joint stock concerns to obtain a certificate of incorporation without either a special Act of Parliament or a grant of Letters Patent by the Crown. This enactment of 1844 was the real beginning of a general recognition of the joint stock system as indispensable for the conduct of ordinary types of business. It recognised all joint stock companies which registered under it as incorporated bodies, and thereby gave them a definite status in the eyes of the law. Further amended three years later, this Act remained for the next decade the basis of the law relating to joint stock companies; and a large number of companies took advantage of the privileges of registration, and many new companies were formed during this period.

The most vital privilege which is associated with the modern stock system was, however, still withheld by the legislature under the Acts of 1844 and 1847. In the modern world the typical joint stock company is above all else a limited company—that is to say, its incorporation takes place on terms which carry with it the privilege of limited liability for its shareholders. It had always been possible for a company formed by special Act of Parliament to obtain this privilege of limited liability by the terms of its own Act, and it had been seen to be necessary that limited liability should be granted in the case of those large concerns which needed to raise their capital from a very numerous body of shareholders. For it was recognised that, in such enterprises, the shareholders could not be expected to be willing to incur an unlimited liability in connection with their relatively small individual investments. Railway development, for example, would have been utterly impossible on anything like the requisite scale unless the

railway investors had received the protection of limited liability. It was, however, for a long time held that this privilege should be granted only in the most exceptional cases, and that it would be a positive temptation to dishonesty to confer it upon ordinary trading enterprises. The ordinary trading enterprise was still regarded as in its essence rather a partnership of a number of individuals actively engaged in the business than as a fully corporate body whose existence and policy could be clearly distinguished from those of the individuals who owned its shares. It was widely said that to grant limited liability to the general run of businesses would be to invite the formation of bogus concerns, and to provide unnecessary opportunities for the swindling of the suppliers of materials and machinery by unscrupulous individuals. It was argued that, if a group of men together undertook the risks of business, they ought to be prepared, severally as well as jointly, to meet these risks with their whole fortunes, and that the State ought not to intervene so as to relieve them of any part of their liability. Before one parliamentary inquiry or commission after another this question was argued out. Not until 1855 was Parliament at length convinced that the growth in the scale of productive enterprise had made inevitable the extension from the transport and public utility services to ordinary productive businesses of the full rights of incorporation, including the limited liability of shareholders. The Act of 1855 therefore granted this right; and this measure, as amended and consolidated in the better-known Act of 1862, became the foundation of modern company law. The privilege of limited liability was thus made available to all business firms that cared to apply for it, and the way was thus laid open for a tremendous extension not only of the sphere of joint stock enterprise, but therewith of the possible fields of investment open to the possessors of capital in either large or small amounts. The granting of limited liability undoubtedly broadened very greatly the basis of capitalist investment, and of Capitalism itself. It is more responsible than any other single measure for the

enormous growth of industrial investment by members of the middle classes in the latter half of the nineteenth century.

The Act of 1855 was not, however, followed by any immediate rush to form new companies. It took some years for the scope and character of the new privileges to become widely known, and it was not until the early 'sixties that the really rapid extension of the joint stock system began. But thereafter there was an exceedingly rapid advance. At that time no tax was laid upon the authorised or issued capital of companies, and accordingly firms were free to announce an authorised capitalisation of any amount they might choose without incurring any penalties or costs. Only in 1891 was the system of taxing authorised capital issues introduced, with the effect of deterring projectors from announcing the formation of companies with a far larger capital than they had any hope of raising, or even any means of employing if it could have been raised. This absence of any restraint upon purely nominal capitalisation to some extent falsifies the figures showing the number and capital of companies formed during the period immediately after the Act of 1862. In one year, for example, the figures are completely distorted by the formation of a company with a nominal capital of millions, of which only a few hundreds were ever subscribed. Only from 1891 onwards do the figures at all accurately reflect the real amounts of capital which were being invested year by year under the joint stock system.

I do not propose to follow out the subsequent history of the legislation dealing with joint stock companies through all the many amendments which have been made since 1862. It suffices to draw attention to a very few outstanding features of the joint stock system as it has developed during the past seventy years. The original intention of those who passed the Acts of 1855 and 1862 was undoubtedly that joint stock, in its new extension to all types of industries and services, should still be confined to large-scale undertakings. It was designed to apply only to businesses which,

by virtue of their magnitude, needed to enlist the services of so large a body of shareholders as to make their conduct without incorporation both difficult and inconvenient for those who had dealings with them. But in fact, when once the privilege had been granted, it was impossible to confine it within these limits. There was nothing to stop any small body of persons who wished to secure the protection of limited liability, and to trade under a recognised collective name, from registering their concern as a company, provided only that they were prepared to pay the small necessary fees and expenses. For some time the use of the Company structure by relatively small concerns was regarded as an infraction of the spirit, though not of the letter, of the Companies Acts; and what were called "one-man companies" were regarded with especial public disfavour—"one-man companies" being those concerns in which a single person really owned the business, but associated with himself six dummy shareholders, each holding perhaps no more than a single share in order to make up the minimum of seven shareholders which the law required. Nevertheless, the number of "one-man companies," as well as of other small concerns, whose promoters elected to adopt the company form, continued to increase; and finally, in 1907, Parliament definitely registered a change of view by including in the Companies Act of that year (and in the Consolidating Act of 1908) a clause which explicitly recognised the right to form small companies with a limited number of shareholders.

These small companies were henceforth to be distinguished from the general run of companies recognised under the Acts. They were to be termed "private companies"; and they were even given certain privileges as against "public companies," in that they were not required to file their balance sheets for inspection at Somerset House, but only their list of shareholders, together with their Memorandum and Articles of Association. In return for this privilege, which has turned out to be of great economic importance, the private company is not permitted to have



more than fifty shareholders, or to make any appeal to the public to subscribe to its shares. It must, moreover, restrict the transfer of its shares, in order to enable it to comply with the provision that the number of its shareholders must not exceed fifty. For, if its shares were able to change hands freely, it could have no control over the number of separate hands into which they might pass.

This creation of the private company as a distinct form turned out, like many other things in the evolution of company law, very differently from the intentions of those who enacted it. It had been meant as a special privilege, to be given to a limited range of small concerns; but in fact it opened the door wide to the creation of a number of quite new types of joint stock enterprise. In the first place, it became very much easier for private businesses, ranging from small manufacturing concerns to the shops of retail traders, and also for individuals engaged in a wide variety of economic operations, to secure the privilege of limited liability by turning themselves into companies. Not only the family business—say a small textile mill or boot factory—and the substantial grocery or other retail store, but also in certain cases the large land-owner as an individual became a private company, and thus both limited the risks involved in the type of business which he carried on and secured easier conditions for charging expenses against income for purposes of taxation. Moreover, the joint stock form of organisation made it easier, especially in the case of family businesses, for the owner, when he died, to leave shares in the undertaking to different relatives or friends without involving any forced sale of assets in order to pay off the legatees. For these reasons the private company, first introduced in 1907 as a separate category, became more and more popular with types of business which had previously been carried on without the privilege of incorporation.

This, however, was not the only, or even the most important, consequence of the recognition of the private company by the Act of 1907. The second great consequence of

this step was to promote the growth of what are called "subsidiary companies." It had, of course, been possible under the old system for a number of companies, each nominally independent of the others, to be linked together by a system of interlocking directorates or exchange of shares, or by the common ownership of a large part of their respective capitals. But the separate recognition of the private company made it very much easier to form large business units consisting of a number of distinct undertakings, each of which was given the legal form of an independent company. Thus a big productive business, instead of starting new works or establishing agencies in new markets directly under its own auspices, could create for this purpose a number of separate private companies, in each of which the parent business held either the whole of the shares, or at the least a dominating interest; or again two or more large concerns could join together to create a private company under their joint ownership for the exploitation of a particular source of raw material or for the conduct of a subsidiary process. If the business connections of almost any great concern are examined to-day, it will be found that the parent company, however constituted, has grouped round itself a considerable number of subsidiary enterprises in the form of private companies. Indeed, in some cases this process has gone so far that the parent company has ceased to do business at all, and exists merely as a holding company, in which are vested the shares and the ultimate control of a number of subsidiaries, the whole business of producing and selling the products of the concern being carried on under the auspices of these subsidiaries and not of the parent body.

Where any joint stock company which is itself registered as a public company carries on the whole or a part of its business under the auspices of subsidiary private companies, the effect still is, in spite of recent legislation, largely to defeat the objects of the Companies Acts in respect of publicity. Until the amending Act of 1928 there was no obligation upon any parent or holding company to disclose

any material particulars with regard to its subsidiary undertakings. Any sums received by way of dividend from such undertakings would, of course, appear in the balance sheets of the parent concern. But there was no need to chronicle the losses or appropriations to reserve account of subsidiaries, or to give any account of their operations to the shareholders of the parent company, or to publish changes in the capital value of the parent's investments in its subsidiaries. Thus the balance sheet of the parent or holding company often failed to give any true picture of the position of the subsidiaries; and the investor who bought shares in the parent concern had no means of discovering whether the particulars disclosed in the published balance sheet accurately reflected the economic position of the complete undertaking or not. Even now the amended law only compels disclosure of the general economic position of all the subsidiaries of the parent company taken together, and does not require any disclosure of the position of any individual subsidiary company: so that, even though the requirements of the law are somewhat more stringent than they were prior to the Act of 1928, they still fall far short of ensuring to the investor any adequate understanding of the real economic value of the assets which he holds. This, indeed, could not be secured unless private companies were subjected to the same conditions as public companies in respect of the publication of audited balance sheets, disclosing both their current profit and loss, and the balance-sheet position of the undertaking from the capital point of view.

To this, however, there would certainly be very strong opposition from the interests chiefly concerned. The ordinary private company which is not a subsidiary of any public company values greatly the privilege, which it shares with unincorporated partnerships and private businesses, of not being compelled publicly to disclose its financial position; and any attempt to impose upon it the obligations which apply to public companies would be strongly resisted by small capitalist *entrepreneurs* as well as by the giants of

high finance. On the other hand, it would be very difficult effectively to impose the obligation to publish audited balance sheets only on such private companies as are subsidiaries of public companies. For it is not at all easy to define what is a subsidiary and what is not. The law at present attempts to meet this difficulty by imposing the obligation of publicity not on the private company as such, but on the public company in respect of its grouped subsidiaries; and the most likely line of amendment would be to carry this obligation further by increasing the amount of information which a public company is compelled to give about those concerns in which it holds investments. But there are further considerable legal difficulties in the way of this reform. It would not be easy to impose upon a public company the obligation to disclose with regard to a legally separate company particulars which the separate company itself could not be required by law to disclose. In fact the company form has developed in Great Britain in such a way as to withhold from the investing public information which is indispensable if stock exchange values are to be based on an adequate knowledge of company affairs, available equally to all investors who take the trouble to look for it, and not as at present largely on "private information," which may be either accurate knowledge confined to a comparatively narrow range of persons or inspired rumour deliberately spread about in order to influence the stock exchange value of a particular security—or, of course, anything between these two extremes.

This lack of adequate information about the actual economic working of the company system tends still further to reduce the ordinary investor to a mere blind follower of market quotations, interested in the shares which he buys and sells only from the standpoint of their stock market appreciation or depreciation. It is not only that, on account of the policy of spreading his risks, he is not in a position to acquire any real knowledge of the working of the businesses in which he invests his money. It is also that, even if he were to set out deliberately to acquire this knowledge,

he would find in most cases insuperable obstacles in his way. The great majority of investors have long ago given up any attempt to understand the economic position of the companies of which they are part owners, or to take any interest in their affairs from a technical or productive point of view. They are mere buyers and sellers of stock market values; and it is usually a matter of complete indifference to them in what commodities or forms of production the companies in which their money is placed are engaged or in what manner their capital is employed.

A further effect of the great extension of the company system in recent years has been to increase the amount of capital over which the large investor is able to gain effective control. If the money which is invested in one undertaking can be reinvested by this undertaking in others, it can also in this process often attract to itself additional capital, over which the owner of the original investment can exert practically unfettered control. Let us assume that in Company A a certain investor or group of investors holds 51 per cent. of the shares, thereby controlling almost twice as much money as he or they actually possess. Next let us suppose that Company A reinvests the greater part of this money in Companies B, C and D, associating in each case with their investment a certain amount of money belonging to other persons, but always so as to leave themselves with at least 51 per cent. of the controlling shares in each of these companies. By the time this process is complete, the total amount of money held by the owners of the 51 per cent. interest in Company A is far more than twice the amount of their actual investment, for they may have brought under their control not only the 49 per cent. of the capital of Company A, but also anything up to 49 per cent. of the capitals invested in Companies, B, C and D.

Nor is this by any means the whole story; for in order to control a company it is by no means necessary to own 51 per cent. of its total capital. In the first place, the owner of a large concentrated block of shares usually finds himself confronted not by a united body of smaller shareholders

capable of common action, but by a number of scattered individuals who are most unlikely to attempt to interfere in a concerted way with the operations of the company. In practice a 30 per cent. holding may be quite enough to ensure absolute control if the remainder of the shares are widely enough diffused in the hands of smaller investors. Moreover, all capital subscribed for use in the operations of a company need not rank equally for purposes of control. Debenture holders, who are not directly in the eyes of the law owners of capital at all, but creditors of the company, can exercise no control over its operations as long as their interest is regularly paid. But in addition to this, it is a common practice to disqualify preference shareholders from exercising any voting rights, at any rate as long as their preference dividends are being regularly paid. And, even when preference shareholders are given some voting rights, these do not necessarily or in most cases correspond to the amount of money which they have invested. Thus, it is not unusual to have a larger denomination for the preference than for the ordinary shares, so that each preference shareholder gets one vote for each share of, say, £1 or £5, whereas each ordinary shareholder gets a vote for each ordinary share of £1 or five shillings, or even one shilling. Nor is this usually resented by the preference shareholders, who have grown to value so little the privilege of control which shareholding theoretically carries with it as to be not at all reluctant to give it up.

The growth of preference shares registers, indeed, a significant change in the realities of capital investment. The preference shareholder, unlike the debenture holder, is a part owner and not a creditor of the business in which his money is invested. He does take upon himself a part of the risks of the undertaking; and he cannot, like the debenture holder, claim to receive his interest whether a profit is being made or not, or to foreclose upon the company if it fails to pay him his preferential dividend. His dividend can be paid, save in very exceptional cases in the early years of a company's operations, only out of profits actually

made. But in order to make surer of receiving his dividend, he accepts a limitation upon its amount in return for a first claim upon such profits as the company does succeed in making. If profits are made, the preference shareholders have to receive their 5 or 6 per cent., or whatever it may be, before the ordinary shareholders can get any return on their investments. But there, in the case of most preference shares, the return to the preference shareholder ends. However much profit the company may make, he gets nothing beyond his 5 or 6 per cent., whereas the claim of the ordinary shareholders is of course limited only by the magnitude of the total profits. There is, indeed, an intermediate class of share, the participating preference share, in which the preference shareholder comes in again with a further claim after the ordinary shareholders have received dividend up to a certain level—say, 10 per cent. But for the purposes of our present analysis, we can ignore this complication, and treat the preference share as typically a share which offers only a limited maximum return to the investor.

Naturally, shares of this type tend on the whole to appeal to a somewhat different class of investors from ordinary shares; and the growth of preference shareholding is closely bound up with the widening of the investment market in recent decades. As an increasing amount of the capital for business has come to be raised from small investors, who cannot afford to take large risks, and want a reasonably secure return on their money rather than a gambling chance of high profits, it has become necessary for businesses to devise types of share capital which will suit these requirements. The needs of the smaller investors might doubtless have been met by an increase in the amount of debentures; but there are strong reasons why this would not suit the business world. For debentures, unless they are limited in amount in relation to the share capital of an undertaking, inevitably interfere with its credit. Anyone who lets a company which has a large number of debentures outstanding have credit on ordinary trade terms

does so at his peril ; for he knows that if things go wrong the claim of the debenture holders will rank in advance of his own. The amount outstanding in debentures must then, if a business is to be soundly financed, be kept within reasonably narrow limits in relation to the entire capital of the undertaking; and for this reason it is not open to the promoters of business enterprises to meet the needs of the small shareholders by an extension of the debenture system. This is one reason for the spread of the preference share, which resembles the debenture in that its claim precedes the claim of the ordinary share, but is sharply contrasted with the debenture in that it confers no rights of foreclosure, and that its claim, being exclusively a claim to a share in realised profits, comes after the claims of business creditors of all kinds.

Of course it is not suggested that preference shares are always more secure than ordinary shares, or debentures always more secure than preference shares. An ordinary share in a thoroughly solid undertaking may be a much safer investment than a preference share or debenture in an undertaking of more doubtful status. But within the same undertaking the debenture obviously stands first in point of safety, the preference share next, and the ordinary share last; and it is clear as a social phenomenon that the preference share has advanced in popularity side by side with the growth of the class of comparatively small investors who are unwilling or unable to assume the full risks of ordinary business enterprise.

This growth of the class of small investors is of course a highly important social and economic phenomenon; and the diffusion of the ownership of the capital of industry is often pointed to as a sign of the growing " democratisation " of the capitalist system. Socialists are told that their denunciations of the capitalist class are not only unjustifiable but also obsolete, in view of the gradual extension of the investing public to cover a wider and wider section of the population. Stress is laid on the increase of industrial and commercial investment among the middle classes, and



also on the growth of collective holding of shares and debentures by bodies which include a large number of working-class members. Why trouble to destroy Capitalism, if Capitalism is in process of becoming a system leading not to the concentration of property in the hands of a few, but to its diffusion over an ever-increasing section of the entire people?

As we have seen already, this diffusion of ownership is to a great extent a fact. But it carries with it practically no control by the owners of industry over the use which is made of their property. Nor does it effectively extend even now beyond the middle classes, though a large section of the working class may be said to have acquired an analogous interest in investment through the spread of the Co-operative movement. There is, however, a vital difference between Co-operative and joint stock investment, in that the Co-operative investor does not stand under any conditions to make a capital profit. His shares in a Co-operative Society can never rise above par, because the purchase of new shares at par remains always open to newcomers. The Co-operative Society pays interest on its capital, but it is not a profit-making body, and there is accordingly no possibility of a capital increment accruing to the Co-operative investor. This principle of open membership is indeed vital to the Co-operative organisation, and it is the absence of this principle that differentiates the true Co-operative Society from such pseudo-co-operatives as the Army and Navy Stores.

The main point, however, is that the diffusion of the ownership of industrial capital over the middle as well as the upper classes has by no means altered the essential characteristic of Capitalism as a system based upon the exploitation of labour, or prevented it from involving, as it develops, a closer and closer control over large masses of capital by a small body of very rich capitalists. The fact that a large section of the population has nowadays a direct financial stake in the prosperity of capitalist industry serves doubtless as a powerful bulwark of Capitalism against the

attacks launched upon it by Socialists and by the working-class movement. It gives Capitalism in this country, and to an even greater extent in the United States, a large mass of support from these intermediate groups. But not even in the United States has the practice of industrial shareholding spread far down into the working class; and in this country the direct ownership of a share in capitalist industry by working-class investors is still on an infinitesimally small scale. Even the collective investment of working-class savings takes place far more in gilt-edged securities than in ordinary industrial holdings, and the working man who has saved money by means of an insurance policy or a deposit in a building society does not become conscious of any links binding him to the interest of large-scale Capitalism.

Moreover it is easy to exaggerate, as Mr. Runciman, for example, has frequently done, the number of small shareholders in capitalist industry. The practice of spreading investments, which has become the general rule in modern times, results in the same person turning up over and over again as a small shareholder in a large number of separate concerns. If each separate shareholding is regarded as representing a separate individual, naturally the number of shareholders appears to be enormous; but actually it is relatively small, though some types of industry, notably the railways, do include a very large number of individual small owners among the holders of their stocks. It is easy to exaggerate the degree to which the ownership of property has in modern times become diffused, and a mere glance at the statistics of fortunes passing at death serves to correct the impression that a high proportion of the population in fact possesses capital assets to any considerable amount. Diffusion of ownership has been proceeding to a considerable extent; but it has made no measurable approach to bringing about any real democratisation even of the ownership of capital, much less of its effective control.

Nor should it be forgotten that some part of the apparent diffusion that has taken place has been due rather to a change in the forms of property-holding than to a real decrease in

economic inequality. The small middle-class owner tends to-day to hold a larger proportion of his capital assets in shares and debentures, and a smaller proportion in the form of direct property, such as land and houses and the fixed and working capital of small productive enterprises. This shift in the character of small ownership gives an illusory appearance of democratisation to capitalist industry.

Nevertheless small ownership does present to the Socialist a formidable problem, in that it makes likely a strongly organised resistance, taking shape perhaps in some form of Fascism, on the part of a large section of the middle class to any confiscatory form of Socialism, and therefore compels those who are aiming at a peaceful transition from Capitalism to Socialism to take precautions for tempering the wind to the small owner. This becomes a very vital point in considering plans for the socialisation of industry, especially in connection with the forms and amounts of compensation to be paid. For while Socialists clearly cannot in consistency with their principles recognise permanent claims based on the ownership of the means of production, and their legislation is therefore bound to be confiscatory in the last resort, equally they cannot afford, if they are aiming at a transition to Socialism by constitutional means, to stir up the whole body of small property-owners against them at the outset by an immediate threat of confiscation.

To discuss in detail the solution of this problem would take me far beyond the scope of this essay. Broadly, the conclusions to which it points seem to be these. First that, in any plan of compensation that may be adopted in connection with the socialisation of industries, it will be necessary to ensure to the small property-owner a continuance of income for a substantial period of years after the actual ownership of the capital assets has passed into the hands of the State. This could clearly be done by some form of terminable or life annuity. Secondly, that a system of alienation of property claims by the State can be operated with much less injustice and friction by a drastic increase in the taxation of inheritance than by confiscatory measures

applied industry by industry, as each particular branch of production is taken into public control. For in this old and settled country, with its long capitalist tradition behind it, inheritance is an enormously important factor not only in perpetuating but also in increasing inequalities of wealth; and taxation of inheritance is much more effective, if properly graduated, than any other method of alienating private property to the public, for the purpose of redressing inequalities and making confiscation fall most heavily upon the great capitalists. The working out of these principles into a practical policy of compensation is one of the most important tasks at present confronting the Socialist movement.

If socialisation follows broadly the lines just suggested, there will presumably be, while the transition from Capitalism to Socialism is in progress, some continuance of private investment; and it will be necessary for the State, as it becomes increasingly the owner and controller of industry, not only to direct the private investment of capital into the most socially desirable channels, but also itself to take steps, by means of a National Investment Board, to mobilise private savings and apply them directly to the development of necessary productive services. The way has been already prepared for a system of investment through State agencies both by the enormous growth of the National Debt, which has accustomed small as well as large shareholders to the holding of public securities, and by the almost complete divorce which already exists between the ownership of industrial property and the control of its actual use. The shareholder has grown accustomed to handing over his money to a body which will take complete control of its employment, and to foregoing all effective part in the direction of the policy of the businesses of which he becomes legally part owner. This makes it the easier for the State to take over private capital on terms which will remove from the shareholders the purely nominal control which is all that remains to them to-day, and to make them in theory, what they are now in fact, pure *rentiers*, claiming on the strength

of their investments a share in the product of industries which they do nothing to influence or direct.

There arises at this point a highly interesting question which urgently demands thought on the part of those who are setting out to socialise industries and investment in them. Until recently it has always been taken for granted that, when any industry is socialised, its previous owners will get by way of compensation for their holdings, whether these are bonds or equities, a form of fixed interest-bearing security which will guarantee them an income regardless of the actual profitability of the enterprise after it has been socialised. Socialists have thought of themselves as having a mission to attack primarily profits, and only thereafter and by a subsequent process the receipt of interest. The profit-maker has been regarded as the real exploiter, and the interest-receiver as a far more harmless person who can be left to be dealt with subsequently by means of taxation, including the taxation of inheritance. But the events of the post-war years, and especially the catastrophic reductions in prices which have occurred, first in the years 1921-23, and then again between 1929 and 1932, have made most of us far more alive than we were before to the dangers of the fixed-interest system; and it is not too much to say that during the post-war period the receiver of interest, a good deal more than most receivers of profit, has been the chief burden weighing upon the productive classes. In times of falling prices the real incomes of the recipients of fixed interest are sharply raised at the expense of wage-earners and profit-makers alike; and, if prices fall far enough, the burden of debts becomes intolerable, as it did over a large part of the world during the depression which set in in 1929. It is, moreover, increasingly realised that it is dangerous to subject any form of enterprise to a large fixed money charge which has to be met irrespective of possible fluctuations in receipts owing to price changes or to other causes. And it can be argued that it is no less unsound for a socialised economy than for a private business to lay upon itself a burden of fixed interest-bearing debt liable to eat up its total

surplus of receipts over other costs. This question has already given some trouble in connection with the provisions of the London Passenger Transport Act, where the workers in the industry have good cause to understand that the necessity of earning a fixed minimum dividend on the capital taken over from the private shareholders may interpose formidable difficulties in the way of Trade Union claims for higher wages or better conditions of work.

There is accordingly much to be said for the view that, when any privately owned industry is socialised, compensation to its past owners should be given, at any rate in part, in the form of equity claims rather than of fixed interest-bearing bonds. In fact, the preference share, rather than the debenture, seems to afford the model that can most suitably be followed, though it may be necessary in practice to adopt different methods in dealing with different cases, just as joint stock companies now issue bonds and equities of varying types. If the model of the preference share were followed, the dispossessed owners of a socialised industry would receive in exchange for their holdings, not fixed interest-bearing bonds but claims to receive dividends up to a permitted maximum out of the surplus revenues of the undertaking after costs had been met, but they would have no claim either upon the undertaking or upon the State to receive the maximum dividend allowed, unless the actual revenues showed a sufficient surplus to make the payment economically possible. It would be quite practicable to modify the effect of this system by ensuring to the ex-shareholders of the undertaking a minimum dividend at a relatively low level, say by allowing the rate to rise to a maximum of six per cent., but not allowing it to fall in any case below three per cent. Obviously, these figures are given only by way of illustration; for the exact terms of compensation will have to be adjusted separately in every case. My point is that the growing prevalence of preference shares, which are widely held especially among small owners of capital, has prepared the way for some form of compensation such as this. Such a method is, indeed, foreshadowed in one of the

provisions of the London Passenger Transport Act, though there the minimum level for dividend has been fixed much too high, and the amount of the contemplated fluctuation is accordingly far too small.

This whole question obviously requires far more space than I can give to it in this essay.<sup>1</sup> My main point here and now is to emphasise the extent to which, nevertheless, if the approach is sensibly made, the changing forms of joint stock enterprise have actually prepared the way for the successful introduction of a system of socialisation. They have done this in several different respects. In the first place, they have already destroyed the possibility of an effective control being exercised by the general body of shareholders over the use of their money, and in doing this they have obviously made much easier the introduction of a system in which, on the one hand, control can be socialised by the taking over of large-scale undertakings, and on the other the property claims of the shareholders can be converted into limited claims to income in accordance with the principles of compensation which I have already outlined. In the second place, the great elasticity characteristic of the joint stock system in its modern form, with its tremendous development of subsidiary companies, interlocking directorates, exchange of shareholdings, and the like, has evidently created conditions of which the State can take advantage in planning the socialisation of industry. Many of these large interlocking capitalist undertakings have already lost all personal character, and some of them have developed into extensive concerns which could virtually be acquired by the State and carried on under public ownership without much change of form or structure, minor units being simply

<sup>1</sup> I have discussed it somewhat further in my pamphlet *The Essentials of Socialisation* (N.F.R.B.) which is also published in my volume *Economic Tracts for the Times*, Macmillan. There is also an important discussion of the problem of confiscation in Mr. G. R. Mitchison's pamphlet *Industrial Compensation* (N.F.R.B.). Much work, however, still remains to be done in this field.

merged with them in order to complete the framework of a socialised industry.

This raises another issue. Hitherto Socialists have been apt to think of the question of socialisation as one to be dealt with industry by industry. They have contemplated a succession of measures, each directed to the complete taking over of a particular industry or service, and have thought of Socialism as coming into being gradually by this method. Doubtless this is what will actually be done in the case of a number of the major industries; but it is doubtful whether this method of socialisation will be necessarily the only one, or whether it will be desirable to apply it to most of the secondary industries which are likely to be left at the outset under private operation. For in these cases an alternative method is clearly available. If the State embarks upon a drastic policy of taxing inheritance, it will be impossible for payment of the taxes so levied to be made in money; for the casting of huge blocks of shares on the market at the death of their owners would obviously greatly depreciate their value and in many cases make the actual payment of the duty impossible. The State, therefore, if it sets out drastically to tax inheritance with the object of wiping out all major inequalities of wealth, will be compelled to accept payment in actual bonds and shares and other forms of property, as well as in cash. By this method it will rapidly become part owner of the vast majority of industrial enterprises, even in those industries which are not socialised as separate units. I know that some Socialists feel a keen reluctance to accept this method of transferring capital from private to public ownership, on the ground that it involves a transitional stage during which the State will be partly responsible for the conduct of capitalist undertakings. But, whether this method is adopted or not, responsibility of this sort is in fact unavoidable in the course of any gradual transition to a Socialist system. Even if the State does not become part owner of non-socialised industries, it will nevertheless have to accept the responsibility for general industrial planning, and will have, in order to maintain the volume of



employment and production, to establish conditions which will render it possible for non-socialised industries to be carried on. It will be in a far better position to do this if it is able not merely to lay down, through a national planning authority, conditions for the conduct of non-socialised enterprises, but also to assume actual shareholding power in these industries, so as to appoint to them directors of its own, who will be responsible for watching the public interest and seeing that the terms of the national plan are duly complied with. Of course, State directors serving on the boards of partially socialised enterprises will not under these conditions be able to accept the restrictions which the State has imposed on itself in connection with its appointed directors on the Anglo-Iranian Oil Company, in which we have already an instance of the State becoming a large shareholder in a capitalist concern. Under the conditions of rapid transition to a Socialist economy, with which I am now concerned, the directors appointed by the State as representatives of the public interest will be required to take an active and constantly increasing part in the conduct of the business, and in the direction of its policy in accordance with the requirements of the National Industrial Plan.

This question, too, cannot be pursued further in this essay, though it opens up large possibilities for more detailed discussion. I can only throw out the suggestion that socialisation needs to be further considered from this point of view, as well as from the standpoint of bringing particular industries of key importance under direct public ownership and control. The question is relevant to this essay only to the extent to which the development of the joint stock system, which I have been endeavouring to outline, definitely points the way towards this form of socialisation, as well as towards the more familiar method of direct transference of entire industries from private to public control.

#### IV

### MARXISM IN THE MODERN WORLD

THIS essay is an attempt to discuss the relevance of Marxism to the world situation of to-day. In attempting to do this, it is essential to remember that the situation which Marx was analysing in his writings was by no means the same situation as men are now called upon to analyse. Marx was seeking to influence the actions of his own contemporaries away back in the middle of the nineteenth century; and he framed his theories with a view to influencing their actions in the situations which had then to be faced. Certainly no one can claim to be a good Marxist if he is content merely to repeat Marx's analysis, and to assume that it applies to the year 1938 because, or in the same way as, it applied in 1848 or 1867. The only Marxism with which men need trouble themselves is a living Marxism, which concerns itself with making a fresh analysis appropriate to the situation in which they, well on into the twentieth century, are called upon to act.

The fundamental doctrines of Marxism, as I understand them, rest upon a certain method, or way of approach to social problems. This approach is essentially historical, and involves the acceptance of the view that human history belongs, in its broad movement from phase to phase, to the realm of causality and not to that of the merely casual. Marxism, in fact, involves a philosophy of history; and anyone who regards human history as a mere succession of chances or the product of the purely individual spontaneity of the actions of individual men therewith rejects Marxism totally as a clue to the understanding of the world's affairs. Marxism involves the belief that the study of the past as well as of the present does help to tell men about the future, and that men can fruitfully look in history for practical evidence of principles and forces which they can expect to go on working themselves out in the world of to-morrow.

Unless this view is accepted, the basis of Marxism is struck away; for unless there are causes big enough to influence the broad course of human development, and not merely its occasional incidents, there is obviously no sense in looking for large effects, or in trying to frame a philosophy of history at all. But it is of course possible to accept this conception of social causality, as many philosophers have accepted it, without accepting Marxism; for social causality can be conceived as working itself out in many different ways. The next step then towards Marxism is the acceptance of the view that causality works itself out in social matters by a process which is in its nature dialectical, in that it proceeds, not by the static method of formal Logic, but in accordance with a dynamic Logic which, so far from excluding contradiction, regards it as the necessary clue to the understanding of truth, because truth is itself not something unchanging or capable of being apprehended absolutely at any time, but something that lives and grows, so that each new and partial truth that men discover provokes in due course the counter-assertion of its complementary opposite, turns in due course, if it is still asserted in face of that opposite, into error instead of truth, but leads on, if it is fused and blended with its opposite, towards a new and less partial truth destined in its turn to provoke a new opposition, and lead on to a new and still less partial synthesis.

This dialectical Logic, proceeding by way not of syllogism, but of thesis, antithesis and synthesis, is of course the Logic of Hegel, which Marx took over and adapted to his social purpose. But, whereas in Hegel the dialectical process is conceived wholly in terms of the developing "Idea," of which the experienced facts of human history are but the reflection, Marx transfers the dialectic directly to the field of historical experience, and sees the successive theses, antitheses and syntheses in terms, not of "Ideas," but of material and objective forces.

Thus, out of the dialectic Marx makes the Materialist Conception of History—the conception, that is, of the

historical process working itself out by the ceaseless confrontation and conflict, in the world of men, not fundamentally of ideas but of movements based upon the impact of changing material forces upon the life of human Societies. The underlying forces are not ideas—much less the “Idea,” with a very large capital “I”—but the ever-changing powers of production, whose nature is ceaselessly affected by the growth of human knowledge as applied to the forces of nature.

But the Materialist Conception of History, as Marx states it, is much more than a theory that the development of the powers of production is the force which underlies the broad movement of history; for Marx attempts also to explain how these powers exert their influence. Men, he says again and again, make their own history; and there is no more determined enemy than Marx of the view that men are merely the passive beneficiaries or victims of the historical process. Men make their own history; but as man is essentially a social animal, whose mind and character are wholly unintelligible unless they are considered in their social context, men cannot make their history by purely individual, but only by social, methods of activity. The direct agents of historical change are not the powers of production, but the movements which men build upon them; and the relation between the powers of production and the historical process is made by the effect which the changes in these powers have in changing the social relations among men. Each phase in the development of the powers of production requires a corresponding economic system for the effective use of these powers; and historically each of these economic systems has been embodied in a certain set of class relationships. In Marx's view the basic social category is that of class, and the movements which have dominated the historical process have been class-movements, because at each stage men have been arrayed in economic classes whose existence was essential to the use of the available powers of production, but between whom there grew up inevitably a relation of antagonism and conflict. This arose because the powers of production were themselves

subject to constant change: so that the relations which had been at their inauguration the best adapted to the fuller use of these powers came in course of time to be fetters upon the further development of production when the underlying powers were no longer the same. But the class which had originally risen to authority by virtue of its capacity to expand production would by no means willingly surrender this authority when it had become a clog instead of a stimulus. This ruling class would, however, by the inherent necessity of using the powers of production to its own advantage, have been compelled to permit and encourage the growth of a subject class capable of challenging its authority; and in course of time this subject class, acting on the side of the newer productive powers, would grow strong enough to overthrow the old ruling class, and set up under its own authority a new economic system corresponding to the changed character of the powers of production. Thus, the dialectic worked itself out in history in a series of class struggles; and classes, rather than individual men and women, were the ultimate social realities of the historical process.

The Materialist Conception of History thus becomes above all else a theory of class-struggles. But it is, of course, much more than a theory of class-struggles working themselves out purely in the economic sphere. For the class-struggle is, in Marx's view of it, essentially a political as well as an economic conflict. It is a clue to the understanding of history, and not merely of economic history. Thus, as an integral part of it, Marx formulates his view of the character of political movements and of the State.

Political movements, on a scale sufficient to influence the general course of history, are in Marx's view necessarily class-movements, and therefore economic in their ultimate foundations. It is not denied that in countless secondary ways, there can exist political forces which cannot be evaluated in class-terms, or that such movements can be important and influential. But the Marxian doctrine is that though the understanding of such secondary movements is

indispensable for the framing of the day-to-day tactics and strategy of politics, in the last resort and in the long run the determining influences are those movements which do express class-interests and class-aspirations, even if their relation to such interests and aspirations is often so veiled that many of those who take part in them are quite unconscious of the class-foundations on which they rest.

From this conception of the derivative and secondary character of political movements as such follows Marx's conception of the State. He regards the State, as it exists in any Society at any particular stage of historical development, as embodying the domination of a particular class over other classes, and he believes this to be as true of the quasi-democratic States of the capitalist world as of the feudal system or of any earlier phase of State supremacy. The State is "an executive committee for administering the affairs of the governing class as a whole"; and it is accordingly to be regarded as above all else an organ of class-coercion, and not of the common service of the community.

Thus, according to Marxism, every State is a class-dictatorship, whatever its forms and system of government may be, and whether its dictatorial rule be open or veiled. It is a simple and logical deduction from this doctrine that the necessary method of instituting a Society in which the proletariat will rise at length to power will be the setting up of a "proletarian State," of the "dictatorship of the proletariat." But the proletarian State will differ from all earlier States in that its object will be to achieve its own abolition. For, if States are essentially class-dictatorships, there can be no room for a State, in the Marxian sense, in any Society which is not divided into economic classes. The proletariat, however, as the last class subject to exploitation, has the object of abolishing classes altogether, and instituting a completely classless Society. It needs a State only for the purpose of liquidating the relics of the class-system; and with the successful supersession of classes the State, as an instrument of class-coercion, will necessarily wither away.

These are, as I understand Marx, the essential Marxian doctrines, with the one great exception of the Marxian Theory of Value, which falls outside the scope of this essay, though I have discussed its real meaning and relevance with some fullness elsewhere. With this necessarily brief résumé of the basic Marxian doctrines in mind, I can now come more directly to the discussion of the place of Marxism in the world of to-day.

First of all, let us be mindful that we are living in a world in which the development of large-scale Capitalism has gone much farther than it had in Marx's day, and has followed, in its technical aspects, the course which he foresaw. Out of large-scale industrialism has come, more and more, the domination of large-scale finance. The need for expanding markets and the unequal distribution of wealth in advanced capitalist Societies have led to the increasing investment of the resources of capitalists of the more advanced countries in the enterprises of the less advanced with a corresponding growth of competitive Imperialisms struggling for control of the world both as market and as field for the investment of capital. Concentration of capital in the sphere of technical and financial control has gone on apace; and the political policies of the leading States have come to be more and more openly the expression of the dominant capitalist interests.

All this is thoroughly in line with what Marx predicted. But, while we bear it in mind, let us not omit to notice that in all the advanced countries the shape of the capitalist system has been greatly altered since Marx wrote his penetrating study of its nature. That study was at once historical descriptive, and prophetic. Marx, in the historical chapters of *Das Kapital*, set out to explain how Capitalism had come into existence, and by what stages it had grown into the Capitalism which was the theme of the descriptive parts of his book. Having described Capitalism as he knew it—the Capitalism of his own day—he went on to prophesy what was to become of it. We have, then, to consider at this stage three things—the accuracy of his historical account,

the adequacy of his description, and the validity of his forecast.

Despite subsequent research, I think Marx's historical chapters remain the best and most penetrating account of the rise of Capitalism. Further research has thrown much new light into dark places; but it has not affected the broad accuracy of Marx's study. His account of Capitalism as owing its origin to the divorce of a mass of labourers from the land, and as developing side by side with the growth of the employable proletariat—which is, indeed, only the same process seen from a different angle of vision—retains all its force. The extent to which a proletariat already divorced from the land existed before Capitalism, so as to provide a basis for its introduction as against the extent to which the proletariat arose as a response to opportunities for capitalist production existing by virtue of the improvement of communication, the opening up of wider markets and the breakdown of the local barriers within which medieval production, was largely confined, may be open to doubt; but this point does not affect the value of Marx's historical study. For Marx's point is that Capitalism could not have grown up unless it had found a potential proletariat ready to exploit, or out of proportion to the growth of that proletariat. How far the potential proletarian became an actual proletarian because he was driven from the land and therefore compelled to subsist by means of wage-labour, or how far because he voluntarily turned to wage-labour in order to escape from the miseries of the decaying feudal system, is in this connection of no moment though it raises an important and interesting historical problem. The point is that the potential supply of wage-labour did exist, and that Capitalism could not have grown up unless the labour had been available as well as the means of realising profits from its employment.

We can then take over unchanged from Marx the contention that Capitalism as a system reveals itself in the light of its history as simply the institutional form in which the exploitation of wage-labour has proceeded upon an expanding scale. We can adopt entirely Marx's view of advancing



Capitalism as a system devoting itself to the increasingly intensive and productive use of wage-labour as a means to the extraction of surplus-value. We can, with Marx, watch this expansion proceeding first through a phase in which the chief benefit to the owner of capital is derived from the market advantage gained by interposing himself as employer between the craft producer and the consumers of his product, then through a phase in which a further advantage is derived from breaking up the craft process into a number of minutely subdivided operations so as to achieve higher productivity through the greater manual dexterity of the new class of detail-labourers; then again, through a phase, connected in our minds with the Industrial Revolution, in which the productivity and intensity of labour began to be immensely enhanced through the use of power-driven machinery on an ever-increasing scale. We can see further how the later phases of this industrial revolution have led more and more to the dominance of financial capital over both merchant and industrial capital. With the advent of the power-driven machine the industrialist supplanted the merchant as the dominant figure of the capitalist system. But to-day the industrialist and the merchant are alike either subordinated to the power of the financier, or able to hold out against that power only to the extent to which they become financiers themselves.

Marx, as we have seen, prophesied this development. There is a great deal in the later volumes of *Das Kapital* about this growth of the financial power, and its result in concentrating the effective control of the entire capitalist machine in fewer and fewer hands, so as to exclude the small employer or trader from any real control over the working of the capitalist system, just as at an earlier stage the capitalist merchant succeeded in reducing the working master-craftsman to a mere sub-contractor devoid of real influence over economic policy. Marx did indeed often cast this prophecy into a form in which it seemed to suggest the progressive expropriation of the small capitalists by the great, and the flinging down of the small men into the ranks

of the proletariat. He could not clearly foresee, at any rate at the time when his principal works were taking shape, the precise form which the development of the joint stock system was to assume, or its influence on the social stratification of advanced capitalist societies. Actually, as we have ample cause to know to-day, the increasing concentration of capitalist power in the hands of a small class of manipulators of financial capital has not meant the disappearance or proletarianisation of the small capitalists, partly because the small employer, in losing his influence over industrial policy, has not been squeezed out, but has been able to adapt himself and to survive the loss of his power to control the working of the economic system, and partly because a vast new class of shareholders and bondholders, great and small, has been brought into being by the extension of the joint stock system and now constitutes a powerful bulwark in defence of the rights of property against Socialist attack.

The small employer has not been crushed out. He survives not only in agriculture, and in retail trade, but also over a considerable section of the industrial system. He is able to survive, in face of the advance of large-scale Capitalism, for several reasons. First, in the sphere of trade, largely because there are great merchants and financiers who find it to their interest to give trade and banking credits to the small shopkeeper. Secondly, in the sphere of production, because there are many classes of goods which it pays the great capitalists to leave to smaller firms, sometimes as virtual sub-contractors for small parts or the like, where no great economy is to be secured by mass-production, and sometimes because a particular branch of industry is too risky or unprofitable, or commands too narrow a market, to appeal to the great financial *entrepreneurs*. Thirdly, new trades and industries are always springing up; and these give rise to a host of new small firms, if not of manufacturers, at any rate of dealers and middlemen—garage proprietors and motor agents, wireless and gramophone dealers, and a host besides. There is no sign in the

most advanced capitalist countries that these sections of the petty and middle bourgeoisie are tending to disappear. On the contrary, their numbers have been growing fast as production and demand have become more differentiated with growing productivity and the increase in the intermediate income groups as a whole.

Even more important than this is the immense broadening of the basis of capitalist industrialism that has come about with the extension of the joint stock system. To-day, in advanced industrial societies, shareholding and bondholding extend through every stratum of the population except the manual-working class, and even to a section of that class, which has, besides its occasional investments in profit-making industry, its analogous holdings of shares and loan stock in Co-operative Societies, Building Societies, and other agencies of working-class saving, both public and private. It has often been claimed, because of this diffusion of share- and bond-holding, that Capitalism has already been effectively democratised; and capitalist apologists, such as Mr. Runciman, delight in adding up the astronomical totals of shareholders in the leading industries, usually ignoring the fact that the practice of spreading risks by holding small parcels of shares in a number of different enterprises robs the cumulative figures of all real meaning. It is, however, quite true that the number of separate shareholders and bondholders with some stake, large or small, in capitalist industries is now very great; and that this large body of petty owners of a tiny stake in forms of big business over which they exert no sort of real control does help to throw up a powerful breastwork against Socialist onslaughts upon the rights of property in the means of production. Capitalism is far broader-bottomed to-day than it was when Marx wrote; and that does make it harder to upset, above all in the most advanced capitalist countries.

Nor is this diffusion of investment the only force which has been rapidly swelling the numbers of the intermediate groups in Society since Marx wrote *The Communist Manifesto*. Joint stock enterprise throws up, not only a host

of shareholders and bondholders, but also an ever-increasing army of salaried workers, from managing directors of large businesses down to "white-collar" workers who are on the borderline of the proletariat. Moreover, the more these intermediate groups increase, the more they require a further host of professional workers to look after them—doctors, lawyers, accountants, teachers in secondary schools and universities, actors, musicians and artists, and a great many more who expect, if they are successful, to be able to live at a comfortable middle-class standard, intermarrying freely with other sections of the middle class, and forming part of the same broad economic group.

In face of this social stratification, what becomes of the simple theory of the class-struggle set out in *The Communist Manifesto*? Marx and Engels were, of course, perfectly well aware of the existence of large intermediate groups between the capitalists proper and the proletariat; but they thought of these groups as declining in importance, and as owing their position principally to the continuance of obsolescent methods of production. There is a great deal in Marx's writings about the position and attitude of the petty bourgeoisie; but it is all based on the assumption that this class, depending for its survival on small-scale production and pre-capitalist forms of trade and agriculture, is destined to be gradually superseded by the further advance of large-scale Capitalism. What Marx and Engels wrote about the future of the petty bourgeoisie was for the most part correct enough as far as it went; but it is largely inapplicable to the petty bourgeoisie of to-day—above all in the societies which have no large class of peasant owners of the soil. For although the old petty bourgeoisie still exists, and is still being gradually eroded by large-scale enterprise, a new and different petty bourgeoisie has come in to take its place far faster than the older petty bourgeoisie has been swept away.

Marx's doctrine of the concentration of capital was right enough in its prophecy of an increasing concentration of the control of large masses of capital in the hands of a few great

capitalists; but it was certainly wrong to the extent to which it prophesied a coming polarisation of economic classes to the two extremes of vast wealth and increasing misery. This has not happened over the capitalist world as a whole; and only under quite exceptional circumstances has it shown any sign of happening in certain particular countries. Some Marxists prophesy that it will happen everywhere as Capitalism plunges further into decline. But I can see no sufficient evidence of this: nor do I believe that, even if it does happen, the reaction to the expropriation of the middle groups is likely to be their assimilation to the proletariat, but rather, at any rate in the first instance, a more intense hostility to the proletariat, such as we have seen in Germany, and a determined effort to reconstruct industrialism, not on Socialist lines, but in the interests of the threatened intermediate groups.

The crude diagnosis based directly on *The Communist Manifesto* worked well enough in Russia, and may continue to work in certain other of the less developed countries, precisely because in these countries there does exist a starker confrontation of classes than elsewhere, and such intermediate groups as do exist are far too weak and incoherent to stand between the combatants, or to make an independent bid for power.

Some Marxists of the older schools were seriously annoyed when the Socialist Revolution happened first in "unripe" Russia, and not in any of the highly developed capitalist countries. But it was able to happen the more easily in Russia precisely because Russia was not highly advanced in capitalist production. The deficiency of capitalist equipment caused Russia to feel the strain of war far more than the more advanced countries, and this led to a more complete economic and political breakdown than occurred elsewhere, and so gave the Socialists a greater chance of seizing power. What industry there was, however, was very highly capitalistic, run by huge concerns with the aid of foreign capital and foreign technicians, and employing a wretchedly exploited proletariat in a condition

of militant resentment. This ill-used and congested proletariat of the few great factories supplied the storm troops of the Socialist Revolution; and, when once the Czarist system had collapsed under the strain of war, there was no coherent force left to oppose its victory. The peasants had far too little power of collective action, and no positive policy save the very practical but limited objective of seizing the land. The middle class, small in numbers, was to a very large extent "officialised," that is, composed of Czarist functionaries and hangers-on; and this section of it collapsed with the collapse of Czarism. The industrial and commercial middle class was far too feeble to assert itself as the controlling force in the country, and far too timorous and reactionary even to attempt to put itself at the head of the peasant mass. The Socialists—or rather the Communists—won chiefly because they were the one strong and coherent group capable of holding the country together and imposing upon it a new régime, but also because, in the hour of need, they found a leader who knew what he wanted and had enough personal force and will-power to impose his ideas and strategy upon his more hesitant colleagues.

Russia was the great country in which it was easiest to establish Socialism for all these reasons—and for another, her ultimate imperviousness to invasion. Much territory was lost by the Soviets, but not enough to prevent them from building up over the remainder a highly organised and successful Socialist State. In the Western countries the position was very different. They stood up to the war far better than Russia, because they were far better equipped. The victorious Allied States, because they were victorious, suffered no such collapse of their established institutions as to create a really revolutionary situation; and in the defeated countries, where the old systems of government did collapse, the destruction of institutions did not go nearly so far as it had gone in Czarist Russia by 1917. Moreover, when new forms of government had to be devised, it at once became evident that the Socialists would have to face far more formidable opposition, not only because they were far more

than in Russia at the mercy of the victors, but also because the internal class-structure was far less simple in Western Europe, and the middle groups hostile to Socialism were far more formidable. Nor can it be left out of account that in the advanced countries the process of turning proletarians into semi-bourgeois had gone a long way, especially among the leaders of the Socialist Parties and the Trade Unions: so that there was no such clear-cut revolutionary will to power as existed among the proletariat of Russia.

The history of Western Europe since 1918 most strongly suggests that, however right Marx was in his fundamental philosophy of history, the practical application of his doctrine needs working out afresh in the light of the present class-structure of West European Society. The plain fact is that in Societies of the advanced capitalist type the proletariat of manual workers and those lower "black-coats" who are allied with them must either find allies outside its own ranks, if it is to succeed in establishing Socialism, or must expect to face the opposition not only of the great capitalists and their direct hangers-on, but also of very powerful and class-conscious intermediate groups which include a high proportion of the most determined and most educated sections of the population. Moreover, this middle section is not the decaying petty bourgeoisie of Marx's day—though it gets this decaying petty bourgeoisie under its leadership—but a group abreast of modern technique, well-used to the employment of the most modern methods of production, accustomed to command men in the key technical positions of industry and administration, and above all not declining but rapidly increasing in number as Capitalism develops.

It is, I know, often argued that this is but a passing phase; and that the decline of Capitalism will inevitably drag down with it this middle class that lives on the high but unstable productivity of modern industrialism. Wherever a capitalist system does seriously decline, it is true enough that the middle class speedily feels the pinch. But how does it react to adverse conditions? Not for the most part by accepting proletarianisation, and coming over bodily to the side of the

manual workers, but far more by banding together for the defence of its privileges in a determined effort to uproot Socialism and destroy the entire working-class movement, which it regards as the chief source of its difficulties and as a menace to its social superiority. For, whereas the typical member of the middle class may dislike bankers and great industrialists, his dislike of them is mild and ineffectual in comparison with his fear and hatred of Socialism. Large-scale Capitalism, if it can be made to work, promises him a continuance of his superior social status and standard of living, whereas Socialism seems to threaten him with the extinction of his superiority, and offers him a standard of living which he will have to share as an equal with other men, and one which depends for its adequacy on the success of a Socialist system in creating general abundance.

Some middle-class people, faced with this choice, choose Socialism. But most do not, especially where the conduct of the Socialists themselves leaves in serious doubt their power or will to carry the Socialist revolution through to a successful issue. Moderate Socialism can succeed in attracting adherents among the middle classes as long as it does not look like establishing Socialism at all, but only like doling out further measures of social reform without imperilling the capitalist system. As soon as Socialists pass beyond mere social reforms that can be carried through without endangering capitalist property to any serious attempt to establish a Socialist system, or even to demands for social reforms that the capitalists cannot easily concede, they can no longer afford to be or to look moderate; for in either of these circumstances a policy of "moderate" Socialism is necessarily one that stands no chance of success. It promises to make the worst of both worlds—so to hobble Capitalism that it can no longer work at all, and yet to stop short of the courageous action that is needed for setting up Socialism in its place. It is true enough that Socialists cannot hope to win adherents in the middle groups unless they are reasonable and constructive; but to be constructive is not at all the same thing as to be moderate.



We have seen in Italy, in Germany and in Austria how dangerous to the Socialist cause the middle class can be when it is frightened by insecurity. It will in such a case not scruple to ally itself with the great capitalists against the working class, or to behave with the most complete ruthlessness in stamping out working-class organisations and repressing freedom of speech if it can win the victory. It will do this most readily when the working-class movement behaves with the greatest moderation; for this moderation will be taken for what it is—a sign of conscious weakness and irresolution. Even so, the middle class will hardly turn Fascist *en masse* unless it feels itself seriously threatened by economic adversity, as it did in Italy and in Germany and in Austria. For nothing short of a sharp fall in its standard of living will suffice to make it ready to stake everything upon a united onslaught on the powerfully organised working-class movement.

It follows from this, I think, that the deterioration of Capitalism cannot be relied upon of itself to make the way smooth for the advent of Socialism. It is far more likely to lead, in the first instance, to a violent attempt by the middle class, with the support of the great capitalists, to set Capitalism again on its feet by destroying the Socialist menace and lowering the working-class standard of life. In the long run, such a process is self-destructive; for it can succeed only to the extent to which one country lowers its standard of wages more than others, and thus captures a large share of the competitive world market. Such success is bound to lead to retaliatory action by other countries, either by similar treatment of their workers, or by building up high tariffs and embargoes in the way of foreign dumping. Thus arises a general movement towards a self-sufficient Economic Nationalism which tends to lower the standard of living both in the countries subject to Fascism and in other capitalist countries which are their competitors in the world market. It leads to a flat repudiation of that freedom of international exchange which has in the past constituted the chief claim of capitalist societies to economic

virtue, and the means by which they have been able at the same time to enrich their profit-makers and to improve, albeit all too little, the standards of living of the masses of the people.

But, if the standards of living are to be driven down, how are the Fascist countries, or indeed their non-Fascist competitors in the capitalist race for profits, to find employment for the workers? If the workers are not to produce more goods for their own consumption, how are they to be kept at work? The present condition of Europe makes the only possible answer all too disastrously plain. The workers are to be kept at work making, not consumable goods, but armaments—more and more means of destruction to aggrandise the Fascist rulers. And, as Fascism, dependent on capitalist favour for its tenure of power, cannot tax the rich to pay for these armaments, the poor must pay for them. The Fascist Governments must borrow the means of payment at high rates of interest from the rich, and must make the poor meet the charge. But, as the poor are too poor to meet it all, public debts must be piled up higher and higher, and their redemption indefinitely postponed. The people must be fed on promises that arms will bring victory, and victory national profit to offset the miseries of the present. Thus Fascism is impelled by its own internal contradictions to drive on remorselessly towards world war. It must travel by a road which can lead only to war or to the unequivocal admission of failure. For the only alternative to war that remains open is the gradual decay of a series of authoritarian States, each to the end holding its working class under by force and forgoing the opportunities of plenty which a Socialist economy alone could enable it to realise.

Even if the Fascist attempt to build up a new kind of State-controlled Capitalism organised for the purpose of upholding the interests of the middle class is in the long run self-destructive, it does not follow that Socialism will emerge out of its difficulties. For the Socialist Commonwealth will not drop like a ripe fruit from the tree of

Capitalism. It will have to be worked for, and sacrificed for, before it can be achieved. Marx was well aware of this; and there is no greater mistake than to regard him as a fatalist who deemed the triumph of Socialism to be certain apart from human effort to achieve it.

Marx was no fatalist, though he has often been misinterpreted in that sense. Again and again, he denounced the fallacy of mechanistic determinism, on which the doctrine of fatalism is based. Again and again, he insisted that men make their own history, and emphasised the creative rôle of a constructive Socialist Party in the struggle for power. Human history is determined only in the sense that men must make it by acting within the limits set by the environment with which they have to deal, and not in the sense that it is made for them, apart from their own endeavours. The Marxian philosophy was put forward not as ultimate and changeless truth, but as a guide and stimulus to action—in effect, as the philosophy appropriate to the needs of the men for whom it was formulated.

It is on this account the worst perversion of Marxism to cleave to the letter of what Marx wrote, without regard to changes in the objective situation that has to be faced. All true Marxism must be a living and growing doctrine, constantly re-stated and modified in the light of changing objective conditions. If the class-structure of Society has altered significantly since Marx wrote, the true Marxism is to recognise the reality of what has happened, and to make a new interpretation to fit the new facts. It is not Marxism, but ostrichism to learn off the Marxian gospel by rote, and expect devoutness to give absolution from the duty of further thought. For the Marxian dialectic is a method of thought, and not a dogma—a way of thinking about to-day, and not a mystical formula true invariably yesterday, to-day and for ever. Reality does not stand still; and a man who tries to stay in the same position in a moving world is likely to suffer as strange misadventures as find place in the scientific romances of Mr. H. G. Wells.

The need for a fresh statement of Marxism is very plain

to-day. The Russians can get along well enough with a crude literal interpretation of the Marxian scriptures because what was true of Western Europe, and especially of Germany, a century ago, was near enough to being true of Russia in 1917 to serve as a workmanlike basis for a practical Socialist policy. But when Russian Communists set out to generalise their experience, and to order Socialists in other countries to follow precisely their example in the sacred names of Marx and Lenin, the inappropriateness of their dogmas to the Western situation soon becomes manifest. They achieve an appeal, but only to a limited section of the Western proletariat—the section ground down by prolonged unemployment to a condition of distress that breeds a spirit of intense revolt—and, outside the proletariat, to a section of generously minded youth that sees in Russia so glorious an example for Socialists all over the world, and so pointed a contrast with the futilities of Western Social Democracy, as to accept the Communist gospel *à la Russe* in a spirit of hope rather than reason. The mass of the Western proletariat, still in jobs, even if they be poor ones, stands aloof, hoping for a less exacting gospel. Consequently, where Communism has made headway in the West, it has been often in danger of splitting the Labour Movement, instead of uniting it for the pursuit of a coherent Socialist policy; and the split in the workers' ranks has often made far easier than it need have been the triumph of the upholders of inequality and property rights. Communism on the model of the Russian Revolution of 1917 is for the present an inappropriate strategy in the Western countries because it assumes a working class with nothing to lose but its chains, whereas, even in years of depression, a large part of the working class has something to lose, and is by no means unmindful of the necessity of guarding its possessions against attack. Communism of this sort could stand a chance of rallying the key sections of the proletariat solidly behind it only if the economic dissolution of Western Capitalism had proceeded much farther than it has yet, or if the other sections of the Socialist movement had been

already crushed out of effective existence by Fascist repression. As matters stand, the crude Communism of those who uphold the notion of the "Permanent Revolution" divides instead of uniting the workers, and thus makes easier the task of those who set out to establish the authoritarian State as an instrument for preserving the class system.

But if the literal interpretation of the Marxian scriptures results, in Western Europe, in a disastrously inappropriate policy, the opposite extreme of explaining Marxism completely away is certainly no less unhappy in its results. For Marxism was, and remains, essentially a revolutionary gospel, quite irreconcilable with the "gradualist" type of constitutional Socialism which is to be achieved by the decorous use of the established parliamentary instruments. Marx steadily insisted that the workers, in order to establish Socialism, would have to discard the existing parliamentary type of State, as a form of social organisation created in the image of the capitalist system, and would have to create for themselves a new kind of State, as the instrument of a radical change in the entire basis of social and economic institutions. Marx assuredly did not believe that Socialism could come by merely parliamentary means, or that Socialist parliamentary parties ought to set out to use their political influence so as to bring about a gradual amendment of the existing parliamentary system, and so make it applicable to the work of thorough-going social reconstruction which Socialists are pledged to undertake. Marx was a revolutionary, and not an apostle of evolutionary gradualism.

But, the Social Democrats object, Marx formulated his essential doctrines before the advent of modern parliamentary democracy, before the age of universal suffrage and responsible party government, before the great era of social reform and of taxation designed to redistribute incomes between rich and poor. If he had been alive to-day, would he not have changed his attitude, and seen the best hope for Socialism in a peaceful and constitutional transition to be achieved by parliamentary means? Of course, I cannot say—no one

can—what Marx's views would have been if he had been a different person born at a different time into a different environment; but on this point what he did actually say is not open to doubt. Marx's view of the State as he knew it was that it was essentially a coercive instrument designed to serve the interests of the governing class—that is, the capitalists—and that it could not be changed, by any mere capture of a parliamentary majority, into an instrument for the achievement of Socialism. He held strongly that the workers would need a powerful State as an instrument for carrying through the Socialist revolution and for defending it against counter-revolutionary attempts; but he thought the revolutionaries would have to build up this new State for themselves, cutting clean away from the institutions of the capitalist State, and creating in their place new proletarian institutions of their own. Regarding the State as an instrument of coercion, he thought of it far more in terms of authority than of electoral representation. The State was, in his view, far more fundamentally embodied in the Crown, the Upper Chamber, the Law Courts, the police and the armed forces than in any popular representative assembly. Its legislative function was meant to be secondary: its primary function was the preservation of law and order in the interests of the propertied classes.

This view of the State went out of fashion towards the latter end of the nineteenth century, when social legislation spread fast and Socialist parliamentary parties began to assert their influence on the course of public affairs. The post-war reconstruction of Europe was based on the alternative theory that parliamentary States could be created to serve as the instruments of an inclusive democracy, through parliaments which would mirror the mind of the community as a whole. But in fact no parliamentary State was, even in theory, anything like completely democratised. There were retained in all of them large elements of authority not responsible to a popular electorate; and the law courts and the armed forces remained everywhere subject to aristocratic or plutocratic influences. Moreover, it was

speedily discovered that the theory that Parliament should mirror the mind of the community did not work, for the simple reason that, under the existing conditions, the "community" had no collective mind. There arose a multiplication of contending parties, none of which was able to command a majority in the popular Chamber: so that Governments had to be based on shifting coalitions of parties and groups, and were unable to carry out any coherent or far-reaching policy. Over most of the Continent, the half-hearted ventures into parliamentary democracy which followed the war soon produced results so disappointing as to lead to a sharp reaction against parliamentarism. The representative method seemed to leave all the vital questions unsolved and insoluble within its limits; the policies to which it gave rise were neither fish, flesh, fowl, nor good red herring. Socialism was neither disposed of nor adopted; but Capitalism could no longer govern in its own way. Discontents grew, coming to a head first in Italy, where the Socialists half seized and then let go their chance of power, and where Mussolini and his Fascists struck back promptly, with the great capitalists behind them, destroyed the Socialist and Trade Union movements, and the parliamentary system with them, and set to work to build up the new model of the authoritarian "Corporative" State.

In Great Britain and in some other countries of Western Europe, where economic conditions were better, Capitalism less fearful, and parliamentarism more strongly entrenched, there was no such sharp revulsion of feeling, but only a gradually spreading disillusionment. Even left-wing Socialists did not give up hope in parliamentary methods, both because there seemed to be a hope of getting a clear Socialist majority in Parliament, and also because there was nothing to shake the mass of the people out of the accustomed ruts, or to drive them to extreme courses out of sheer discomfort and despair. Great Britain especially remained, except a section of the chronically unemployed, too comfortable to be enthusiastic, and too sceptical of anything

important really happening to begin thinking in terms of force. Socialist parliamentarians continued to hope that, when they got their parliamentary majority and their mandate from the people, the governing classes would peacefully bow to the will of the majority, and refrain from using the authoritarian elements in the State against a Socialist Government, or from resorting to force in defence of inequality and exploitation. Moreover, even those who were doubtful of this acquiescence held that the right course was to advance as far as possible by parliamentary means, on the ground that this would at least place the Socialist movement in a better strategic position for resisting violence from its opponents, and further that nothing short of a plain demonstration that the will of the majority would not be allowed to prevail without forcible resistance would put even the workers into a mood to think in other than parliamentary terms. It must be remembered that Great Britain's working-class population is of all the populations of the world probably the most disarmed and the worst equipped for any trial of armed force with its opponents. It is a very long time since Englishmen or Scotsmen or even Welshmen manned a barricade, or sniped from behind a wall. Ireland is another story; but the Irish Free State has contracted out of the British revolution.

I personally feel no doubt that this latter view is right. The British workers are not at all in a mood to make a violent revolution, and no amount of propaganda will make them so. They will continue to think in parliamentary terms at least until the parliamentary method of advancing towards Socialism has been tried, and has demonstrably failed, or until they are faced with a really formidable Fascist movement plainly aiming at the destruction of their organised power. The right strategy for British Socialism is undoubtedly a strategy of parliamentary action; for no other strategy stands a chance of doing anything except dividing the working-class movement, and robbing it of all chance of getting what it wants.

But, if the right strategy is parliamentary, it is all the more



essential to understand that the only chance of using Parliament as the instrument for an advance towards Socialism is to use it in a radically new way. We must be mindful of Marx's doctrine that the Socialists must build up their own institutions, and not merely take over those which have been designed to serve the interests of Capitalism. This involves not merely a replanning of parliamentary procedure, which almost everyone agrees to be necessary, and a frontal attack on the House of Lords, but also the prompt building up outside Parliament and parallel to it of new Socialist organs of administration for the taking over and conduct of industries and services which are to be socialised, and the placing of all the essential executive services under the direct control of competent Socialists who can be relied on to administer them in accordance with a general and coherent Socialist policy.

To go farther into this matter would take me too far afield. My point in relation to Marxism is that, while it is clearly un-Marxian to expect to get Socialism by parliamentary means, it is not un-Marxian to make use of a Parliament dominated by a Socialist majority as one among a number of instruments for the advance towards Socialism, provided that at the same time the new extra-parliamentary agencies for the administration of the country on a Socialist basis are being built up, and provided further that the party enters on its task with a full consciousness that it is there not merely to pass new laws, but to alter the entire social structure of the country in such a way as to abolish speedily all institutions that rest on a basis of class-privilege, and to create at speed the new institutions appropriate to a classless and equalitarian Society.

That these tasks are hard goes without saying. Indeed, anyone who at this time of day expects to get Socialism easily in any country must be utterly blind to the significance of contemporary forces. The advance of capitalist industrialism, so far from consolidating the proletariat into a homogeneous mass and flinging down into it all but a very small privileged group of capitalists, is positively at its

present stage weakening the older proletarian forces. The decline of the older basic industries lessens Trade Union power: the diffusion of industry also removes a good deal of the older concentration in highly proletarianised districts. The change in the character of the labour-process lessens the need for skill, and weakens the sectional monopolies of the craft Unions; and it is a hard task to rebuild Trade Unionism on the broader and more inclusive basis appropriate to the new conditions, especially in face of unemployment due both to trade depression and to the increasing mechanisation of industry. The number of blackcoats and semi-blackcoats increases in relation to the number of the "horny-handed"; and the blackcoats have less instinctive solidarity, and more inclination towards snobbishness. All this means that Socialism, while it can by no means afford to do without Trade Unionism, has to build itself up more actively on a political as well as an industrial basis, and to create for itself a political movement far more closely knit than the Labour Party, still mainly federal in its basis, is to-day.

For the proletariat cannot hope to win Socialism in Western Europe purely as a proletariat organised for industrial action and defence. It has to make itself the nucleus of a political movement closely organised for the bringing about of a radically different social order, and appealing for the support of all those who can be induced by the muddles and injustices of Capitalism to turn to the task of building up a Planned Society on a foundation of common ownership. What Socialism needs to-day is not fundamentally more careful and rational elaboration of the Socialist case—though it does need that as well—but more driving force and a stronger emotional appeal. The trouble about the Socialist movements of nearly all countries—Russia is of course the great exception—is that they are dull. They are dull because their leaders seem to have no belief in the mission of the movement to make the world anew, and to be far more intent on refraining from making promises which they are not certain of being able to perform

than on getting those to whom they appeal really keen and enthusiastic about the possibilities of a Socialist way of life, and determined to struggle for Socialism with all their might as the embodiment of a satisfying faith as well as a merely economic doctrine. It often seems as if the leaders of Socialism wished to make out that a Socialist Society would be as like a capitalist Society as no matter, except that an ache or two here and there would have been cured, and a number of institutions might pass under different names—public corporations instead of joint stock companies, public bonds instead of private shareholdings, and so on. But the more like Capitalism Socialism is made to look, the less worth while it seems to work for it. Revolutions cannot be made except under economic conditions that favour them; but it is equally true that they cannot be made without revolutionaries, or without enthusiasm based on faith as well as hope and charity.

Marxism is a gospel for revolutionary enthusiasts who want to change the world, not for those people who want it to go on being as nearly as possible the same. The Marxian dialectic is a theory of social revolution. The Marxian conception of history is the dialectic expressed in terms of the revolutionary process. The Marxian theory of dictatorship is simply the Marxian theory of history at the point of the revolutionary crisis. It is possible to make nonsense of all these doctrines by interpreting them in a purely formal way, merely repeating by rote extracts from the Marxian scriptures without any attempt to think out afresh the correct formulation of the Marxian attitude for each new generation and for each new situation that we are called upon to face. But this is not Marxism, but pedantic dogmatism in a spirit entirely alien to the dialectical basis on which Marxism rests. "Big Bill" Haywood, of the American Industrial Workers of the World, had a favourite phrase, which he introduced again and again into his speeches. It was this: "Think, think, think, and keep on thinking. It'll hurt you like Hell at first; but go on thinking, and you'll get used to it." That is good and prudent

counsel for Socialists; and it is indispensable counsel for anyone who sets out to apply Marxism to the conditions of the modern world.

For, as Marx said, sound doctrine needs to be not abstract "truth," static perception of what is, but above all a guide to action, designed to help us not merely to understand the world, but also to change it for the better. We cannot hope to change the world unless we understand it as it has grown, as it is, and as it is coming to be. Marx presented us with an invaluable picture of the growth of Capitalism up to the middle of the nineteenth century, an extraordinarily penetrating analysis of it as it then was, and a remarkable prophecy as to its future, as far as that future could be foreseen from the past and the present as they were then known. This prophecy was partly wrong, as it was bound to be; for no one can foretell the future. Even the greatest theoretical leader cannot foretell what is to come: he can only say to what further developments the tendencies already discernible in the present seem to point; and even that he must do in the knowledge that new tendencies are certain soon to appear and to create the need for restatement of his forecasts. If Marx had been quite right about the future he would have been wrong to be right; for he could have been quite right only by accident and not by clear fore-knowledge. Accordingly it is our business to-day not to believe everything Marx said as valid for our day and generation, but to look fairly and squarely, helped by his interpretation of the past, at the objective situation of to-day, and make up our own minds in the light of past and present alike what to expect and how to act in the future which we must help to shape and to create. That only is Marxism. An "orthodox" Marxian dogmatist may be learned in the Marxian scriptures: the one thing he cannot be is a follower of Karl Marx.

## V

### THE CRISIS IN EUROPEAN SOCIALISM

EVER since 1918, all the world over, the working-class movement has been facing a crisis, the most severe in its history. In one great country, Russia, the last war brought Socialism to power, and the Soviet Union was able to maintain itself through desperate years of civil war and foreign intervention, and in the end to consolidate its authority and set about the difficult task—still by no means complete—of building up the Socialist State. But elsewhere in Europe, the Socialist revolution collapsed. Soviet Governments, of a sort, held sway in Bavaria for a few days, and in Hungary for a few months. But in Germany, which was the key to Western Europe, the revolution of 1918 was never allowed to take a Socialist course. The Socialists themselves—all but a very few of them—were against any attempt to turn defeated Germany into a Socialist Republic. They set to work, instead, to build up the Weimar Republic on the model of Western capitalist democracies. They created a new State which the old ruling classes hated, and in which the people did not believe. In Austria the Socialists held Vienna; but the new State was modelled on the Weimar Republic, and shared its weakness.

Italy, too, advanced to the very threshold of Socialism, and then drew back. But, whereas in Germany the Socialists, even if they would not attempt to create a Socialist State, were nevertheless compelled by circumstances to play, for the time, the leading part in building up whatever State was to be built, in Italy this was not so. The Italian Socialists, having drawn back from revolution, practically stood aside, and left the weak parliamentary State open to attack from the other flank. Fascism came first in Italy because the Italian Socialists, unlike the Germans, did nothing to defend the parliamentary system which they had

refused to attack. The door was left wide open to anti-democratic reaction; and Mussolini marched through it practically unopposed.

In effect, except in Russia and Italy, the Socialist and working-class movements of Europe staked their fortunes upon the reconstruction of parliamentary Capitalism. They felt unready to make a bid for Socialism; and they set their hopes on the creation of democratic parliamentary systems within which freedom of speech, propaganda and organisation were to give them scope for winning the people over gradually to a Socialist attitude. Their immediate policy was to be one of social reform; and this meant reconstructing Capitalism as a means of providing employment for the people and funds for the reformers during the period of transition to Socialism. The new States carved out of territories detached from the old Russian and Austro-Hungarian Empires followed the same policy; and the lesser States of pre-war Europe, as soon as they had seen which way the cat was jumping, did the same. There were White Terrors in Finland, in Hungary, and in Bulgaria—in fact, wherever any form of Socialism looked like making a real bid for power. But, when the White Terror had achieved its purpose, these countries also began to settle down under some sort of parliamentary system, even if their parliamentarianism was not in reality more than a decent cover for the dictatorship beneath.

Thus, European Socialism, except in Russia, where Communism had won the day, and in Italy, where Socialism had already been crushed by Fascism, grew up in the generation after 1918 as a constitutional movement acting within the framework of parliamentary States whose fundamental institutions were no less capitalistic than before the war. Post-war Socialism continued the methods, policies and traditions of the pre-war Socialist and Labour Parties of Great Britain, France, Germany and the Scandinavian countries. In pre-war Europe this policy had been taken almost for granted, wherever the political system allowed the workers freedom to organise, to form political parties,

and to conduct propaganda and agitation without falling continually foul of the law. Political Socialism was a movement for immediate social reforms, combined with an advocacy, more theoretical than immediately practical, of the evolutionary replacement of Capitalism by Socialism, as soon and as far as the change could be brought about by pacific, constitutional means. The leaders of Socialism up to 1914 were in constitutional and permanent opposition: they aimed at influencing policy rather than at making it themselves; they had no expectation of being called upon, within any period of which it was necessary for them to take account, to undertake the responsibility of government.

This condition of parliamentary Labour and Socialism up to 1914 profoundly influenced the attitude which its leaders actually took up in the critical period which immediately followed the breakdown of German resistance to the Allies. Right up to 1918 the Social Democratic and Labour Parties of the various countries had never anticipated that they would be faced at short notice with a definite choice between revolution and a policy designed to protect past gains at the cost of committing them to help in keeping the capitalist system on its feet. Where the choice had to be made suddenly, as in Germany, the great mass of the Social Democrats, faithful to their tradition of gradualist and constitutional action, immediately took their stand against revolution and allied themselves with middle-class parties of the Left and Centre, against aggressive nationalism on the one hand but also against revolutionary Socialism on the other.

This choice was fatal to the possibility of achieving any real economic revolution in the post-war years, either in Germany or in the Succession States of the Austro-Hungarian Empire. It must be admitted that the difficulties which the Socialist Parties of Europe had to face in the years immediately after the war were very formidable, and that a plausible case could be made out for an alliance with the more liberal elements in the *bourgeoisie* for the

establishment of republican institutions based on nineteenth-century conceptions of Parliamentary democracy. It must be admitted that the risks involved in the alternative policy of a firm attempt to institute Socialism were very great. In face of the military and economic power of the dominant Allies, these risks included the possibility of sheer starvation for the defeated countries; and on humanitarian grounds the Social Democrats of Germany and Austria were plausibly tempted to pursue moderate and temporising policies in the hope that conditions would speedily improve, so as to enable them to take a more militant line. But no one, I think, will seriously suggest that the attitude taken up by the main body of the leaders of European Social Democracy in the years immediately after the war was mainly due to these tactical difficulties, great as they indubitably were, and powerfully as they served to reinforce other considerations in these leaders' minds. Much more fundamentally their decision was the natural reaction, to a situation calling for a sudden choice between dramatically opposed policies, of bodies of men who had been brought up in the traditions of Parliamentary gradualism and were unable to change their mental attitude when they were suddenly confronted by an essentially revolutionary situation. The Social Democratic Parties of those countries in which freedom of agitation and political action had existed in some considerable measure before the war had often great strength and solidarity; but they lacked everywhere the psychology of revolution, or the power quickly to adapt themselves to a situation radically different from that to which they had been accustomed.

By the Russian Communists and their auxiliary, the Third International, this decision of the leaders of European Social Democracy in favour of coalition with the liberal *bourgeoisie* in preference to a policy of Socialist revolution was roundly denounced as "a betrayal of the working-class movement." That it did deflect the entire course of events in post-war Europe is not in doubt. The policy of Socialist revolution *à outrance* in Germany and the Succession States



might conceivably have succeeded in 1918 and 1919, or it might—more probably—have failed. But whether the Revolution had been lost or won, it is certain that the whole subsequent course of European politics would have been different if the attempt had been made. For the consequences of the Social Democratic decision were, on the one hand, the equipment of a large number of European countries with improvised constitutions based on an ill-digested compromise between the capitalist political systems of the nineteenth century and the democratic beliefs of the moderate Socialists, and, on the other hand, the appearance of a sharp division in the ranks of the working classes between the adherents of gradualism and of revolution.

When, as happened in Germany, the Social Democratic leaders found themselves suppressing Spartacist risings by armed force, and compelled to make use for this purpose of reactionary corps led by ex-officers who hated democracy as well as Socialism; when Socialist took to killing Socialist in the streets; and when Social Democratic Governments had to damp down Trade Union agitation lest it should interfere with capitalist recovery, a disastrous rift was made in the solidarity of the working-class movement. This speedily reacted upon the Social Democratic politicians, by diminishing their influence in the coalitions into which they had entered. For they could no longer claim to be the effective canalisers of the whole force of working-class discontent, or to be the real representatives of the working class as a whole. Accordingly their power and influence suffered, and gradually the *bourgeois* parties were able to push them out from their original position of predominance in the affairs of the new Parliamentary States. Stage by stage, the Social Democrats found themselves pressed back all along the line, until the coalitions which at first they had led collapsed, and they were reduced to the status of an opposition unable even to oppose with all its strength for fear of upsetting the precarious democratic constitutions which they had set up, and of provoking a powerful offensive

alliance of all the *bourgeois* and reactionary forces against the parliamentary regime.

From the Communist point of view this retreat constituted a "betrayal," however much the leaders of the Social Democrats remained throughout wholly honest according to their lights. They thought doubtless that they were acting for the best, and in the interests of the working class, when they made their original decision in favour of a policy of compromise and coalition and against revolution. And, when once this initial decision had been made, it was extraordinarily hard for them at any subsequent stage to reverse it and adopt a different attitude. Each step seemed to follow logically upon the one before it; and to the bitter end the "defence of the Republic" appeared to most of them to justify the continuance of the original policy of compromise—even when the possible terms of compromise had become very much worse. The more their own forces became weakened by the long succession of compromises and retreats, the greater the need for rallying to the defence of the moderate capitalist parties against the reactionaries was apt to appear: so that Social Democracy, as it steadily lost ground in the countries in which this policy was followed, found in every decline of its influence a fresh reason for maintaining the parliamentary Republic at any cost. Its leaders remained, and mostly remain in exile even to-day, emphatic in asserting with perfect sincerity that they acted throughout in the interests of Socialism. But the fact stands out beyond question that their policy did not prevent Social Democracy, which seemed on the eve in 1919 of a prodigious conquest, from having to retreat precipitately all along the line, and at length going down in one country after another to utter defeat.

These considerations apply, in the form in which they have just been stated, only to the Social Democrats of those countries in which, in the period immediately after the war, a definite choice between the rival policies of compromise and revolution presented itself in a definite and inescapable form. In the Allied countries, which emerged victorious

from the war, the situation was different, because no revolutionary situation there came into existence of itself as a consequence of defeat, and the opportunity for revolution, if it were to arise at all, would have had to be deliberately created by the method of mass agitation. The Socialists of Germany and the Succession States made a conscious choice between the two policies, because they were confronted with a situation in which they had to choose. The Socialists of the Allied countries, on the other hand, were for the most part not conscious of choosing at all. There existed, no doubt, a ferment in these countries also among returning soldiers and workers discharged from the war-time factories. The Trade Unions came forward with ambitious demands: a large section of the population hovered uncertainly, waiting to see what would happen. But these manifestations of unrest, extensive as they were, did not amount to a revolutionary situation. The Socialist and Labour leaders in the Allied countries, except Italy, chose between gradualism and revolution only in the sense that, under the changed conditions of the post-war world, they merely modified and did not radically alter the gradualist policies which they had been pursuing in the generation before the war. It never occurred to them, or it occurred to very few among them, that these policies could be altered, or at any rate that a respectable case for altering them could be made out. Even the possibility of a British or a French revolution in 1919 was barely considered. British Labour and French Socialism simply carried on as before, stiffening up their programmes with fresh demands in accordance with the changed temper of their followers, but not contemplating at all the idea of a revolution *à la Russe* or even *à l'Allemande*.

For some time, in the victorious countries, this constitutional policy seemed to be achieving a fair mount of success. Socialism in both France and Great Britain emerged from the war much stronger in electoral influence than it had ever been before. The change was more marked in Great Britain, because there the collapse of the Liberal

Party and its sharp division into opposing groups gave the Labour Party after 1918 the chance of becoming the principal factor in the opposition, and the only possible source for an alternative Government. In France, where the political situation was quite different owing to the existence of a large number of independent groups in place of the traditional two great parties of British politics, Socialism became an important influence on the left wing of Radicalism, and was instrumental in the return to power of the Radical Socialists under M. Herriot both in 1924 and in 1932. The French Socialists did not, indeed, like those of some other European countries, accept at this time actual coalition in government with *bourgeois* parties of the left or centre; but both in 1924 and in 1932 they were largely responsible for keeping the Radical Socialists in power, and were able to exert a substantial influence on policy in both home and foreign affairs. There was, however, no sign that this collaborative position was bringing them any nearer the ultimate attainment of a Socialist majority in the French Chamber, or indeed that a clear majority for any party or group was likely to be possible within the working of the existing political system.

In Great Britain the policy of constitutional political action carried the Socialists a good deal farther; for, as we have seen, the virtual extinction of Liberalism as an effective political force made the Labour Party, with its new programme of gradualist Socialism, the only possible alternative Government. Thus the same wave of liberal feeling which brought the Radicals to power in France in 1924 resulted in the formation of a Labour Government in Great Britain almost at the same time. This Government had indeed no majority of its own behind it; it depended on the support of the weak and divided Liberal Party, and its tenure of office was precarious and short-lived. But even after its overthrow at the end of 1924, when Mr. Ramsay MacDonald's bungling of the Russian situation gave the Opposition a useful pretext for turning it out, it was left as the official Opposition, with a reasonable expectation of

returning to office within a few years. The British Socialists had indeed more hope than the French, though they had no assurance, of winning within a comparatively brief space of time a clear majority in the House of Commons; for Great Britain has as strong an inclination towards a two-party system as France has towards the multiplication of political groupings, and it seemed plausible to suggest that before long the final extinction of the Liberal Party might leave the field clear for a concentration of all "left" opinion round the essentially moderate and evolutionary policy of the Labour Party.

How these hopes were to be disappointed is now a matter of history. Labour came back to office in 1929, still a long way short of the clear majority for which some of its supporters had hoped and still accordingly dependent on the ambiguous support of the Liberal rump. The party continued, in its second tenure of office, to pursue the essentially moderate and temporising policy which it had followed in 1924; but on this occasion the luck turned much more decisively against it. The coming of the world crisis raised up problems demanding courageous action which a half-hearted Government under a wavering leader and with no independent majority at its back was exceedingly ill-fitted to take.

Moreover, growing internal divisions in the ranks of British Socialism further complicated the position. In most Continental countries the Socialist forces had been severed clean across into Communist and Social Democratic fractions, and Communism had been successful in detaching from orthodox Social Democracy most of the elements which were by temperament or policy definitely of the left. This, however, did not occur in Great Britain, where the Communist Party remained a tiny fraction commanding no solid body of support among the working classes. Large elements of left-wing opinion accordingly remained within the ranks of the Labour Party; and the extreme constitutional evolutionism of Mr. Ramsay MacDonald and his immediate associates could by no means be regarded

as a policy accepted with satisfaction by the Party as a whole. All through the second Labour Government's period of office there were loud rumblings of discontent both in the rank and file of the Party and inside the Government itself; and there was nothing to be surprised at when, in the event, the fall of the Government came about at the hands of its own leader, who repudiated the majority of his own Cabinet and broke away with a handful of supporters to form a coalition with the Conservative and Liberal Parties. Indeed, the extreme paucity of the following which Mr. MacDonald and his immediate friends carried with them into the National Government of 1931 showed clearly that the general opinion of the Party members had been against the policy which, under his leadership, the Labour Government had pursued both before and during the crisis.

The impotence of the Communist Party in Great Britain and the extreme feebleness of its following stood throughout these years in sharp contrast to the rapid growth of Communism in most of the Continental countries. This difference is explained in the main by two things—first and foremost by the comparative stability of the British economic system even during the most disturbed post-war years, by the comparatively high standard of living of large sections of the British working class, and by the comparative absence of class-war feeling which accompanied these conditions; but also in some degree by the difference of tradition between British and Continental Socialism. For, whereas Continental Socialism had been for the most part throughout professedly Marxist, making regular use of Marxian phrases and familiar with the essential Marxian doctrines, British Socialism had grown up in almost complete ignorance of Marx, and rather as a development of middle-class Victorian Radicalism than as a theoretical growth based on any conception of class conflict. British Labour policy was much more an extension of the notion of social reform so to include Socialist control of vital industries as a means to reform, than a new doctrine

consciously based on the class struggle and the Materialist Conception of History.

Thus, whereas the Communist interpretation of the Marxian "scriptures" presented itself to the Socialists of Germany and Austria and France merely as a new set of deductions drawn from already accepted premises, Communism as a doctrine was thoroughly alien to the insular tradition of British Socialist thought. British Communism had to start absolutely *ab ovo*, and to build up Marxism before it could even begin to get Communism accepted as a deduction from it. Accordingly the British working-class movement remained at the stage of slowly assimilating the fundamental Marxian concepts, and did not, as a movement, even approach the further stage of drawing the consequential Communist conclusions.

It had, however, become by 1931 abundantly clear that, whether the constitutional Socialist Parties were operating under Continental or under British conditions their methods offered no prospect of any speedy or drastic transition to a Socialist system. The pace of their advance towards Socialism, where there had been any discernible advance at all, had been quite extraordinarily slow; and their positive achievements had been in the field of democratic social reform rather than of Socialist reconstruction. In this field they had indeed made some important gains, but only to be confronted with the increasing difficulty of reconciling their demand for a progressive policy of social reform and the redistribution of the national income with the conditions requisite for the continued successful working of the capitalist system. As constitutional Socialism pressed further its demands for insurance benefits, Old Age Pensions, retiring pensions for displaced workers, measures of public health and housing and social amelioration of every sort, the obstacles in its way became increasingly evident. In the first place, it became necessary to consider how far this policy could be carried without trenching dangerously upon the funds which must be left for investment in the hands of the rich if Capitalism as a system were to continue to do its

work. Was not there a narrow limit, under Capitalism, to the taxable capacity of the richer classes; and had not this limit almost been reached in the countries where social reform had made the longest strides? Secondly the gradualists had to ask themselves how far, while international commerce continued to be conducted under the capitalist conditions of competition between national capitalist agencies, any one country could afford to get out of step with the rest by raising its wages or increasing its social burdens beyond those accepted by its competitors. Could any one capitalist country really do more than keep just as far ahead of others as its comparative efficiency as a producer allowed it to go without sacrifice of competitive power? These questions were being asked with growing anxiety even before the coming of the world slump; and when the slump came, with its inevitable result of intensifying the competition between country and country to hold a share in the diminishing total of world trade, the dilemma at once took on an even more disquieting form. For it was no longer enough to ask how much further the policy of social reform could be pressed without endangering Capitalism. The gradualists found themselves forced rather to consider how much of the reforms already gained it was possible to retain in face of the international pressure to bring down the costs of production.

The combination of these conditions rendered the so-called "gradualist" policy of social reform, as it existed pre-eminently in Great Britain, suspect for a time after 1931 among a large proportion of the adherents of Socialism. The changed conditions made men realise far more clearly than before the difficulties in the way of reconciling the continued existence of Capitalism either with a rising standard of life for the mass of the people or with international co-operation and security over the world as a whole. Capitalism in depression threw men out of work by millions because it no longer paid to employ them. Capitalist rationalisation might be of some avail in restoring prospects of profit and increasing competitive power; but it too threat-



ened to throw men out of work because it paid better to employ machines. The workman was caught between the upper and the nether millstone; and while the immediate effect might be to make him eager more than ever for the alleviations of social insurance, he was driven in the immediate reaction from the Socialist debacle of 1931 to ask himself whether, as long as he continued to work within the capitalist order, he was not doomed to fight a necessarily losing battle against forces too strong to be overcome by merely gradualist measures.

This sense of the necessity for a definite decision and a definite choice between the two rival systems of Capitalism and Socialism seemed for a time after the onset of the world crisis to be sinking into the consciousness of the European working class—in Great Britain, as well as in most of the Continental countries. But it had to encounter, especially in the more advanced countries and in those where capitalist civilisation had attained the greatest measure of stability, very powerful psychological reluctances. For men were profoundly unwilling, as long as they had anything at all to lose, to recognise the necessity for a fundamental change in their way of life and a dragging up by the roots of all the familiar social institutions which formed their customary environment. They wanted to believe, to the last possible moment, that things could be put right by some less fundamental change—by something that would not require them to modify and even to turn upside down all their established habits and ways of living. They feared the unknown as well as the difficulties of transition to it; and, in this fear, they were inclined, before accepting the conclusion that really far-reaching change was the only way out of their difficulties, first to blame other people for mismanaging their affairs and, when they realised that mere recrimination could get them nowhere, to attach themselves to any quack remedy which promised to cure all the ills of society without turning the entire social system upside down. Most inclined of all were they to blame the monetary system for their troubles, largely because they understood it least, and to suggest

that a few simple changes in the management of currency and credit would cause Capitalism to grind out blessings as fast and as efficiently as it was grinding out curses during the slump. But the popularity of these quack panaceas was mainly confined to a small articulate minority, which at any rate thought it had grasped the essential secret of the money magic. The main mass of the working-class movement, as it became conscious of the discredit which had fallen upon the Labour Party and the gradualist policy for which the Labour Government had stood, seemed for a moment ready to turn to more radical remedies, and, not content with blaming Capitalism for its troubles, to demand the formulation of schemes for its complete replacement by a Socialist system.

Meanwhile, all Europe—at any rate all capitalist Europe—had been plunged into chaos by the economic crisis. In the years between 1924 and 1929 European Capitalism had appeared to be making a remarkable recovery from the disasters of the war. As the published figures of the League of Nations show, the production of foodstuffs and of raw materials and the development of industrial resources were proceeding during these years even faster in Europe than in the world as a whole. The European countries seemed to be resuming the place which they had lost in the old system of world exchange, and there was some recovery in the European standard of life, especially as the various European currencies settled down more nearly to a fixed international value and a large proportion of the old debts was successfully written off. Great Britain, it is true, did not share by any means completely in this European recovery of the years preceding the slump; but that was mainly due to the British financiers' stupid mistake in returning to the gold standard in 1925 on the basis of the pre-war gold parity of the pound sterling. For this over-valuation of the pound in relation to the internal levels of prices and incomes in Great Britain imposed a fatal handicap on the British exporters, and lost Great Britain a large part of her share in the returning prosperity of the following years. What the

British capitalist class gained as creditor and debtor—for it gained in both these ways—by the revaluation of sterling, it much more than lost by condemning itself to a continuance of industrial depression.

It is easy now to see that the prosperity of Europe during the years between 1924 and 1929 was artificial. The recovery of Germany, for example, which was to a great extent the key to the entire recovery of Europe, was made possible only by borrowing on a huge scale from America, and using the credit thus made available for carrying through the intensive rationalisation of the German economic system. Moreover, a large part of what Germany borrowed from America spread itself over the rest of Europe by means of the reparation payments which it enabled Germany to make. Over Europe was poured via Germany a share of the abundant wealth of the United States; and, as long as American lenders were willing to go on supplying credits without any real chance of ever getting paid back, Europe's prosperity could continue. To all intents and purposes, between 1924 and 1929, the Americans were making Europe presents with the same unintentional liberality as they had shown in lending to the Allied Governments during the years of war.

It was soon, however, to appear that internal economic conditions in the United States were themselves thoroughly unstable. This became manifest some time before the Wall Street crash—even while share values were still soaring. Production began to slacken off, and the number of the unemployed to increase, owing to the progress of rationalisation, the failure of wages to keep pace with profits, and the distresses already in existence among the farming sections of the community. American "prosperity" was essentially dependent on a steady and rapid expansion in the home demand for consumers' goods, in proportion to the steady and rapid advance of productive power. But this condition was by no means satisfied. Wage rates rose but slowly, and there was an actual contraction in the volume of employment, so that the total wages bill had probably

been decreasing for some time before Wall Street stopped trafficking, at an abnormally optimistic rate, in the anticipated profits of future years of economic prosperity. Moreover, with prices kept deliberately stable by the policy of the Federal Reserve System, the situation could not be relieved by an increase in the purchasing value of each unit of money distributed in wages. The demand for consumers' goods was therefore bound to lag behind the expansion of productive power; and as soon as this fact was realised there was bound to be a crash in the stock markets. Moreover, the boom in America had already caused in its later phases a sharp fall in the American export of capital to Europe, and there had been a considerable attraction of European capital to America in the hope of sharing in the high profits of the stock market boom. American prosperity thus withdrew the prop on which Europe's recovery had largely rested, and trade in Europe was already sagging when the Wall Street crash and the ensuing contraction of American demand for exports gave it the *coup de grâce*.

Thereafter universal depression made men for a time more receptive to thorough-going Socialist doctrines. For though there was a widespread wish to regard the crisis as no more than one of those recurrent breakdowns in the functioning of Capitalism with which the experience of the nineteenth century had made men familiar, before long there was increasing doubt in most men's minds whether recovery could come, as it appeared to have come after previous crises, by the mere effluxion of time and the unguided operation of economic forces. Men began to scrutinise more carefully the history of past depressions, and to be more critical of economists who wrote hopefully about the rhythmical movement which was bound to bring prosperity back again in due course. Men wondered more and more whether it were really true, as these economists told them, that the economic world was a switchback on which the farther down you went the higher would the subsequent momentum carry you up again. They began to see that no past depression had been like this one—that none had

been to the same extent world-wide and destructive. They began to ask whether the whole world was not bound together in one common disaster from which there was no escape by orthodox economic methods. Men began to say that they would have to achieve recovery by positive efforts, and that it would not serve simply to wait, in the hope that things would somehow recover of themselves.

But there still remained the question whether, if men had to take positive steps to engineer a recovery, they should do this by attempting to set Capitalism again on its feet, or by a concerted effort to substitute for it a quite different system—in effect Socialism, for there was no other alternative in the field. Either policy appeared to present very great difficulties. It could be said against the attempt to institute Socialism that there seemed to be no hope of getting it instituted by united world action. Socialism, moderate or extreme, possessed little strength in the United States. It had been laid prostrate in Italy by the Fascist dictatorship; and in France it seemed to have no prospect of getting the majority of the people on its side. For France, even after her industrial accessions as a result of the war, remained predominantly a country of peasants and of small-scale capitalists, in which *bourgeois* Radicalism remained strong enough to obstruct any decisive move towards a Socialist system. It was, indeed, at that time still regarded as possible that Germany might go Socialist, and, if she did, join her forces with those of Russia. If that happened, a good many other countries would probably go Socialist too. Even Great Britain might go Socialist, or at any rate half-Socialist, if Germany did, though after the Socialist *débâcle* of 1931 it would obviously take time to rebuild the working-class forces on a more constructive Socialist foundation. But suppose the Germans wanted to go Socialist, would France, then controlled by reactionary forces, let them have their way? France in those days still had the military whip hand in Europe. But could France stop Germany if she really did take her own way? A second Ruhr occupation would hardly be popular among the mass

of the French electorate, and it would be an adventure upon which even the most chauvinistic French Government would hesitate to embark. Still, in face of these uncertainties the possibility of a concerted move towards world Socialism looked very doubtful. Moreover Capitalism, in the years after 1931, and especially as the slump dragged on through the following years, showed itself possessed of an unexpected degree of toughness and resisting power. The absolute collapse which had been predicted as the consequence of the dwindling of world trade and the dramatic rise in unemployment did not come about. Even bankrupt countries such as Austria somehow staggered on, with the aid of doles from their richer neighbours. Capitalism might possibly be on its last legs, but these last legs seemed likely to be able to carry it on for a good while yet.

On the other hand, the prospects of any united world action for the reconstruction of Capitalism seemed singularly small. At Lausanne in 1932 the late Allies did take the first realistic step towards clearing away the tangle of dead wood left behind by the war. They did, though in a hesitant and conditional form, cancel reparations, having realised that there was not even the smallest chance that they would be paid. But this one act of collaboration stood alone, and in every other field international disunity and economic nationalism prevailed. Great Britain abandoned both the gold standard and Free Trade, and took, not very successfully, to the policy of Empire consolidation inaugurated at Ottawa. All over the world tariffs rose more sharply than ever, and embargoes on imports, quota systems, and restrictions on foreign exchange spread in an ever-widening vicious circle of Economic Nationalism. Politically, the mishandling of the Manchurian problem by the League of Nations did much to undermine such belief as men had in the good faith towards the Covenant of the Great Powers; and finally in the matter of financial policy, which seemed to offer the best hope of joint action by the leading countries, opinion remained hopelessly divided between those who

saw the one chance of promoting recovery in concerted action to raise the level of prices by monetary reflation, and those who believed that salvation lay in a drastic scaling down of incomes (especially wages) and a return to the conditions of monetary *laissez-faire*. The World Economic Conference, announced for the autumn of 1932 and then again for January 1933, was repeatedly postponed, and was an obvious fiasco when it did meet. The capitalist world was tough, it had shown an unexpected power of resistance to the forces of dissolution; but no one could say that it had shown any power of acting internationally in order to stimulate recovery.

So the world hovered uncertainly between the two possible alternatives, and most men who gave thought to economic problems probably did not clearly know which side they were on. They would have preferred to see Capitalism reconstructed, if it could be successfully reconstructed, for most men are conservatives by temperament; but they were becoming more and more doubtful whether such reconstruction was really possible. They were being driven to realise that the world slump was not simply a product of post-war economic dislocation, or of some temporary departure from economic sanity by the people of the United States or of any other country, but the product of causes deeply rooted in the capitalist system itself. Men's power to produce goods had been expanding in recent years faster than ever before in the history of mankind. But the expansion of productive power could be useful only if there were a corresponding expansion in the effective demand for ultimate products—nay, without such an expansion it was bound to lead to a severe economic crisis of so-called “over-production.” In the past the individual countries in which a similar rapid expansion of productive power had occurred had solved their problem by disposing of a large part of the additional products as exports, based on the loan of capital, to the less developed areas of the world. They had thus been able to maintain the stability of Capitalism in face of increasing production without a corresponding expansion

in the consuming power of the particular peoples among whom the increase in productivity had taken place. In theory, this remedy remained open to the capitalist world; for there were still vast areas needing to be exploited and a vast need for new capital equipment in order to develop countries which are still in a primitive stage of economic life. But any resumption of foreign lending by the advanced countries on the requisite scale seemed to be out of the question as long as there hung over the world the enormous burden of pre-existing debts, largely unbacked by existing productive assets; for the credit of the less developed countries had been so heavily mortgaged in respect of these debts as to make fresh loans on a large scale obviously unsound. Secondly, the insecurity created by the war, by the rise of Socialism, and by the development of national sentiment in the less advanced countries had made investment in these countries a far less securely profitable business, because it threatened the safety of the invested capital. Thirdly, the industrialisation of the less developed parts of the world had reached a stage at which, while it helped certain of the constructional industries in the older countries to dispose of their products, it threatened a far larger number of industries in these countries with the extinction of their existing markets. The old outlets for the surplus products of advancing Capitalism therefore seemed to be increasingly blocked.

In face of these obstructions Capitalism could no longer prosper unless it could find increasing markets at home. This, however, it could not easily do as long as it continued to engage in a competitive struggle of one national capitalist group with another; for home markets could be increased only by raising wages, and to raise wages in any one country would handicap that country in its struggle with the others. Capitalism thus seemed to have reached an *impasse*, and formidable as the difficulties in the way of the alternative Socialist solution appeared, men turned towards it for a time in increasing numbers—not willingly, for it is doubtful if any people ever made a revolution by its own will, but



perforce as a reaction from the paralysis which afflicted the existing social order.

## II

I have been dealing so far entirely with the conditions which existed before the victory of Nazism in Germany in 1933. Economically, the fall of the Weimar Republic had little immediate effect; but politically it transformed the entire European situation. As long as Italian Fascism remained isolated, it was of little influence outside the frontiers of Italy; and in European affairs Italy still hardly counted as a Great Power. But the Fascist conquest of Germany was a very different matter; for Germany, even under the yoke of the Versailles Treaty, was a Great Power, and the home of the most strongly organised Social Democratic and Trade Union movement in continental Europe. When this great democratic movement had collapsed utterly before the Nazis, without even striking a blow in self-defence, European Socialism, which a moment before had seemed to be advancing under the impulsion of the world crisis, was seen plainly to be everywhere in precipitate flight. In Great Britain and France, and indeed in every country, the leftward trend of Socialist and Labour policy was suddenly reversed. Those who had been speaking of the need for an immediate advance towards Socialism began to speak instead of the need for defending parliamentary democracy. There was a rush to moderate political programmes for fear of antagonising the doubtful voters, and driving them through fear of Socialism into the Fascist camp.

Indeed, after Hitler's victory a large part of the European Socialist movement lay in ruins. In two of the leading countries of Western Europe, parliamentary democracy, on which the Socialists had based their hopes, had been completely eclipsed. It had been succeeded by a form of dictatorship which, with the support of the capitalists, large and small, had set to work promptly and savagely to make an end of every sort of independent working-class

organisation. Socialist, as well as Communist, parties had been entirely suppressed. The Trade Unions had been forcibly dissolved, and replaced by State-controlled bodies which existed only to discipline the workers to the service of Fascism, and not to provide them with any power to assert their rights. Every form of freedom of speech or association that might have served to rally the underground opposition to the new regime had been ruthlessly put down. Of all the imposing structure of German Marxism there was literally nothing left.

Of course the catastrophic consequences of the Nazi revolution in Germany were not fully understood at the outset. It was not possible in 1933 to foresee either the successive stages by which Germany would throw off the Versailles Treaty, or the advent of the "Berlin-Rome axis" and its reactions on power-politics all over the world. There were indeed many Socialists who hoped for a speedy collapse of Nazism; and some Communists even welcomed the extinction of Social Democracy as a necessary prelude to social revolution. But before long the contagious influence of the new dictatorship became manifest. The secondary States in the Balkans and in Eastern Europe reacted against the parliamentary institutions which they had installed after 1918, when parliamentary democracy was in fashion, and went over one after another to some form of dictatorship, partial or complete. The Viennese Socialists, warned by the humiliation of their comrades in Germany, fought a hopeless battle before they would admit defeat. In France Fascism developed apace, and a Fascist *coup* in Paris was narrowly averted by the rallying of the working classes to the support of the *bourgeois* Radicals. Even in Great Britain, where Fascism was not an immediate danger, Socialists who had confidently looked forward to realising their aims in process of time by using the instruments of parliamentary democracy were compelled to reconsider their attitude in the light of the changed status of parliamentarism in Europe as a whole.

It might be supposed on the face of the matter that the

effect of the overthrow of parliamentary democracy in Italy and Germany would have been to drive the Socialists of Europe into the arms of the Communists; for the Communists have always maintained that parliamentarism, so far from standing for real democracy, is an instrument for the preservation of the capitalist system, and that the hopes cherished by the western Social Democrats of establishing Socialism by parliamentary means are doomed to disappointment. Constitutional Socialism, the Communists had said all along, would be tolerated only as long as it made no attempt to attack the fundamental institutions of Capitalism. It would be put down as soon as the capitalists regarded it as dangerous. But in effect the new situation in Central and Southern Europe was even less encouraging for the Communists than for the Social Democrats; for whereas the States governed by more or less democratic regimes could be relied upon to let the Soviet Union severely alone, the new Fascist States were soon proclaiming a holy crusade against the menace of Communism, and laying plans for an attack, foreshadowed in Hitler's *Mein Kampf*, designed to break the power of the Soviets, and even to partition their territory. With Fascism firmly established for the time in both Germany and Italy, and Socialism in retreat all over Europe, the Communists had reluctantly to give up their hopes of speedy world revolution, and to think rather of means of defending themselves against a possible onslaught simultaneously by the Germans in the West and by Japan in the Far East. They were driven to revise all their earlier policies—to enter the League of Nations which they had reviled, to seek alliances with the more democratic capitalist countries, and at home to divert resources and man-power from the building of Socialism to intensive rearmament against the external danger.

There was among Socialists of every shade and complexion a keen debate after Hitler's victory about the real nature of the new menace. Fascism, some Socialists confidently proclaimed, was simply Capitalism in arms—Capitalism using the instruments of civil war and counter-revolution

against the threat of Socialism. Fascism, said others, was simply the old nationalism of pre-war Germany in a new guise—Prussian militarism over again, armed with a more efficient demagogic technique. Yet others wished to regard it as a merely temporary neurosis—a disease brought on by the humiliations and sufferings imposed on the German people by the unjust peace. Each of these explanations had in it something of truth; but none of them really comprehended Fascism, and each, taken in isolation, led to an under-estimation of its strength and staying-power. If the Nazi storm-troopers had been merely mercenaries of Capitalism, they would not have been half so dangerous as they actually were. For German Capitalism would have come to terms with Capitalism elsewhere, as soon as its mercenaries had broken up the Socialist movement. Again, if the Nazis had been merely militarists of the pre-war stamp, they would never have been able to rally behind them a sufficient following to conquer Germany. And if they had been merely neurotics driven crazy by humiliation and suffering, German Capitalism would never have given them its support.

Nazism was in fact, much more than its Italian predecessor, a complex movement. The capitalists used it to crush Socialism, and it was prepared in return for their help to guarantee the subjection of the working classes to continued capitalist exploitation. But Nazism, though it became the spearhead of German Capitalism, was never merely its mercenary. Still less was it merely the instrument of pre-war German militarism revived, or of pre-war Nationalism and Imperialism in their old aristocratic forms. It was something new, and it is impossible to explain it in terms of anything except itself.

For Fascism in Italy and Nazism in Germany are essentially post-war products. In neither country has the eclipse of Socialism meant the re-establishment of the pre-war order. In Italy Mussolini and his followers did indeed take over and merge in their own organisation what was left of the old Nationalist groups. But these groups neither supplied

the main ingredients in the policy of Fascism nor afforded to it its real basis of support. Again in Germany, while the Nazis climbed to power on the basis of an alliance with the Nationalists and the great industrialists, they were not long in showing that, while they were prepared to restore much that was characteristic of the old Germany, the driving force behind their movement was something very different from the old Junkerdom or from the old capitalist domination of the great industrialists and bankers. Fascism and Nazism alike were prepared to ally themselves with Capitalism and with any other force hostile to Socialism which their leaders thought they could bend to their purposes. But both movements derived their real strength, not from the believers in hereditary autocracy or aristocracy or from the great capitalists who were prepared to assist them in breaking the power of the Socialist movement, but rather from those large middle sections of the community which stood in an intermediate position between the directors of capitalist enterprise and the main body of the organised working class. Italian Fascism recruited its supporters mainly among the small *bourgeoisie* of the towns and among the peasants; and German Nazism drew upon the same elements in the population, but was based more extensively upon the urban middle classes because of the higher degree of industrialisation which Germany had reached.

The emergence of this essentially middle-class movement as the instrument for saving Capitalism from the threat of Socialism is a phenomenon of profound significance for the theory of the class struggle. In the analysis of social forces made by Marx and Engels in the *Communist Manifesto* of 1848 the *petite bourgeoisie* was indeed treated as requiring separate consideration. Marx and Engels pointed out that the *petite bourgeoisie* would often tend to ally itself with the working class by way of protest against the development of large-scale Capitalism, because the growth of Capitalism threatened its vested interests and foreshadowed its disappearance as a class. But they added that, wherever the working classes came to be so strong as

to threaten the positive overthrow of Capitalism and the establishment of a Socialist system, the *petite bourgeoisie* would promptly change sides and give its support to the capitalists, because it would feel that the challenge to its position from the Socialists was far more decisive and its extinction far more certain under Socialism than under the continued attrition of large-scale capitalist production.

But Marx and Engels in 1848 thought of the *petite bourgeoisie* as essentially a declining force, clinging to obsolete and obsolescent methods of production and exchange, and seeking to preserve its position unaltered in a world of inevitable economic change. To a large extent this diagnosis remains true of the *petite bourgeoisie* of to-day, and of the elements which were drawn to support Fascism and Nazism by their fears of Socialism. But this reactionary *petite bourgeoisie*, of which alone Marx and Engels had anything to say in the *Manifesto* of 1848, has by no means provided the principal driving force of the new movement, nor could it have achieved by itself the significant victories which have been won over Socialism during the past few years. What has happened is that, side by side with the older *petite bourgeoisie* which depends for its survival on small-scale production and exchange, there has grown up within modern Capitalism a new *petite bourgeoisie* of technicians, salary-earners and petty property-owners of many different kinds. These men, so far from their social status or their incomes depending on the survival of obsolescent methods of production, have been raised to importance by the evolution of modern industrial technique. The diffusion of shareholding under the joint stock system has made almost every member of the middle classes a direct participant in the profits of large-scale capitalist enterprise. The tendency of modern economic organisation is continually to increase the proportion of black-coated workers, while diminishing by the more intensive application of machinery the amount of labour needed to produce a given quantity of goods. The industrial workers are, in the more advanced modern societies, a shrinking fraction of the popu-

lation, while the clerks, the distributors and the renderers of services increase greatly in relative numbers, and the proportion of the national income paid out in salaries, as distinct from wages, grows with every advance of technical development.

The leadership in the new movements which have won power in Italy and Germany has been taken largely by men who belong to the *petite bourgeoisie* in this new and technically progressive sense. These men, unlike the members of the older *petite bourgeoisie* of shopkeepers and peasants, are for the most part energetic individuals; they include among them men with the self-confident qualities of drive and leadership, and they have been able to marshal behind them, under the banner of an aggressive nationalism, the otherwise inarticulate and unorganised forces of the small traders, the peasantry and the would-be gentlemen whose first demand of society is that it should recognise their class superiority to the proletariat. These groups are reinforced by adventurers and thugs of any and every sort, and by those elements from the old aristocracy and the *grande bourgeoisie* which are prepared to throw their weight on the side of any force strong enough to smash Socialism. Nor are they left without support from groups drawn from the lower strata of the population—unorganised labourers who have been long out of work and who will rally to any movement that is prepared to offer them bread and circuses, and sheer riff-raff from the slums of the great cities who ask nothing better than the chance of beating up their social superiors without being gaoled for it.

The triumph of this heterogeneous army has depended on certain very special conditions. The strength of the appeal exercised by the "national idea" has lain not so much in the inherent power of nationalist sentiment as in the circumstances which had induced a mood of pessimism and despair in the minds of those to whom it made its appeal. Italy emerged from the war victorious but economically in a very bad situation, and Italian opinion bitterly resented what it regarded as the deprivation of Italy by the Allies

of her fair share of the spoils of victory. The economic evils under which the Italian people suffered after the war were readily attributed to the incompetence and supineness of the politicians. Fascism under Mussolini's leadership succeeded in canalising all these forces of economic and political discontent, and in leading them forth against Socialism and against the parliamentary parties which had so long misgoverned the country. Fascism "caught on" in Italy because it attacked indiscriminately all the things which the Italian population keenly resented, and promised redress for all the suffering which it had to endure. Fascism offered hope where no other party, with the possible exception of the Socialists, seemed to be able to offer anything at all. Moreover, the Socialists, deeply divided among themselves and conscious of their weakness in the agricultural areas, shrunk back when their chance came and refused to make the decisive bid for power. When the workers seized the factories the Italian Socialist revolution seemed to have begun. But when the factories were evacuated with nothing gained, it became plain that the Socialist and Trade Union leaders did not really mean business. Socialism was discredited, even in the eyes of many of its own supporters; and its opponents were encouraged to believe that it would not be very difficult to turn the retreat into a rout. The capitalists gave Mussolini all the money he needed to recruit a Fascist army; the Nationalists and the middle classes added their support. Before long the counter-revolution was strong enough to march upon Rome and to seize for itself the authority which the Socialists had shrunk back from even attempting to assume.

The situation in Germany differed greatly from that which developed in Italy in the years immediately after the war, and yet had many of the same psychological consequences in a more extreme form. For nearly a decade and a half the German people had been compelled to live under the shadow of a defeat of which they were constantly reminded by the punitive measures imposed on them under the Treaty of Versailles. They had been living under a Re-



publican Constitution, governed by a Parliament in which the Social Democrats had been for most of the time the largest party, and able to influence, though not positively to control, the Government. Under the pressure of Allied claims and external debts incurred largely for the reconstruction of her industries, Germany had adopted a system which reproduced superficially many of the features of Socialism. The State had been compelled to interfere more and more in the affairs of every citizen, with the consequence that State intervention and Socialist influence have received most of the blame for the sufferings of the German people—although in fact these sufferings had arisen from causes which had nothing to do with Socialism, and the methods of State intervention which successive German Governments had put into force were not socialistic in any real sense.

The Social Democrats, conceiving it as their first business to defend the Republic, had completely subordinated their Socialist aims to the needs of Germany's international situation and had consequently come, more than any other party, to be regarded as the apostle of defeatism. This aroused intense hostility among the *bourgeoisie* and the upper classes—the more intense because the post-war inflation and the subsequent poverty of the German Republic had deprived a large section of the middle classes of the incomes required to maintain their accustomed status and standards of living. Post-war Germany was infested by a horde of impoverished *déclassés* who, devoid of hope in things as they were and intensely hostile to a Socialism which threatened them with permanent loss of their claims to social superiority, were prepared to attempt any venture that offered them a chance of escape from their humiliations. On the other hand, the policy of defending the Republic at all sacrifices cost the German Social Democrats the backing of a large section of the working class, and especially of the younger workers, who went over to Communism because Social Democracy gave them no hope of escape from the constant fear of unemployment and of a further

decline in their standards of life. Communism, therefore, grew powerful under the influence of the same forces as Nazism. But the main body of the German working class remained faithful to Social Democracy, and the Communists never won nearly enough support to enable them to control the course of events. Only united action by the German working class as a whole, Social Democrats and Communists together, at the moment when Nazism was clearly becoming formidable, could have prevented the collapse which ultimately came about. But the Communists underestimated the potential strength of Nazism; and the Social Democrats, regarding the Communists as the disrupters of working-class unity and as the principal cause of the growth of counter-revolutionary feeling, made no move towards any accommodation in the interests of working-class defence. Accordingly, when the time came, the Nazis, allying themselves with German capitalists and the Nationalists, and thus assuring themselves both of ample funds and of the armed forces, were able to shatter their opponents with astonishing ease. The only blood that was shed in the German counter-revolution flowed not in the conflict of armed forces, but in the brutal murder of unresisting opponents in the Nazi "Brown Houses" and camps of concentration.

Meanwhile, what had been happening to Socialism in the other two great countries of Western Europe, which remained under the system of parliamentary democracy? In France Communism of a sort had seemed powerful for a while after the war, and had even been strong enough to win a majority in the old Socialist Party, which thereupon split. But after this victory its power speedily waned, and the Socialist Party re-established itself as the more powerful influence among the French workers. French Socialism, therefore, had resumed its accustomed course, endeavouring to appeal to the peasants by giving them pledges against the expropriation of their land, and promising them redress for their social and economic grievances, while basing itself mainly upon the support of the industrial workers.

In following this policy French Socialism was not marked off by any really acute differences from the left wing of the Radical Party; and in effect the French Socialists, while preserving their independence and refusing to enter combined Governments of the Left, acted throughout the post-war period in loose and informal alliance with the Radicals, and sometimes in formal electoral association with them in the *Cartel des Gauches*. The French Socialists, under these conditions, never looked in the least likely to bring about the establishment of Socialism in France, or even to achieve any significant advance in a Socialist direction. The balance of the French economic system between industry, still largely in the hands of relatively small employers, and a predominating peasant agriculture meant that, so long as France remained relatively prosperous, there would be no sufficient drive within the country to achieve Socialism. Socialism could come in France only as a result of one of three things: either a collapse of the internal economic system, or the successful establishment of Socialism in neighbouring countries, or a new world war.

This meant that French parliamentary Socialist activity was carried on under conditions which precluded the Socialists from making any immediate attempt to establish Socialism, or even to advance towards it. Nor was the situation altered in essentials when, as the sequel to the establishment of Nazism in Germany and the collapse of the French economy under the world depression, French politics entered upon a new phase. The growth of the war danger from without and of the Fascist danger from within had the effect of driving the parties of the Left closer together; and at the same time economic adversity caused a rapid increase in both Socialist and Communist strength. The outcome of these influences was the creation of the *Front Populaire*, on a basis wide enough to include Communists, Socialists and Radicals in a single electoral *bloc*; and under the auspices of this new alliance of democratic defence, the Socialists abandoned their objections to coalition government and joined forces with the Radicals in a

ministry under Socialist leadership. Working-class unity was achieved in the industrial sphere by the fusion of the two rival Trade Union Confederations, whose bickerings had hitherto reduced Trade Unionism to impotence; and, as the sequel to this fusion and to the electoral victory of the left parties, there occurred a really remarkable uprising of almost the entire working class. Strikes broke out everywhere, among organised and unorganised workers alike. Factories—and even the fashionable Paris shops—were occupied by their employees in defiance of the law. Trade Union membership went up by leaps and bounds.

In face of this impressive demonstration of working-class feeling, French Capitalism gave ground. Trade Unionism was almost everywhere recognised; the employers, as well as the Government, pledged themselves to introduce the forty-hour working week. The Government announced an advanced programme of social legislation. Satisfied with these promises, the workers evacuated the factories, not in humiliation, but with a triumphant sense of achievement; and on the whole the Government kept its word, even though the bigger employers, when the first shock of surprise was over, speedily repented of their concessions, and did their best to obstruct the introduction of the shorter working day.

That, however, was not to be the end of the story; for French Capitalism, defeated in the industrial field, was not left without resources for hitting back at the Socialists. French Capitalism broke the Blum Government by precisely the same methods as British Capitalism had used to upset the British Labour Government in 1931. It engineered a financial crisis—a flight from the franc. At once the weakness inherent in the Socialist-Radical coalition became apparent; for the Radicals would not support the Socialists in drastic measures against the financial interests, but without such measures it was impossible for the Socialists to avert the financial crisis.

Blum, however, was not MacDonald; nor were the Radicals, however hostile they might be to Socialist economic

measures, prepared to become the allies of the Right in order to turn the Socialists out. What happened was that Radicals and Socialists changed places in the Government. Instead of M. Chautemps playing second fiddle to M. Blum, M. Blum agreed to play second fiddle to M. Chautemps. A Radical of the most conservative type replaced a Socialist as Minister of Finance; a halt was called to further measures of social reform, and a regime of strict economy was introduced. The financiers in return for these concessions called off their campaign against the franc, and agreed to let the new Government be for as long as it behaved itself. French politics, so far as internal affairs were concerned, sank back into the old ruts. The great Socialist advance had been brought to an untimely halt.

Of course, in accepting this set-back the French working-class movement was influenced mainly by the international situation. Its leaders dared not break up the *Front Populaire*, or create a political crisis at home, in face of the Fascist danger. When it came to the point, the Communists were quite as ready as the Socialists to yield ground rather than risk driving the Radicals definitely over to the reactionary side. French Socialism might possibly have been strong enough to defeat the French Right if the two could have been left to fight the matter out among themselves. But it could not face simultaneously both the French Right and Hitler. It could only mark time, and surrender power to the Radicals, in the knowledge that they would be compelled still to depend upon Socialist and Communist support.

Meanwhile, in Great Britain the Labour Party was slowly recovering from the ignominious defeat of 1931. At first, as we have seen, the effect of this defeat was to swing the party further to the left; for the Labour Government's failure was widely attributed to its refusal to attempt any real advance towards Socialism. It was felt that the crisis which brought about its fall had been, if not actually engineered, at all events magnified by financial interests which were determined to use it as a means of driving Labour from

office; and it was argued that the next Labour Government must make haste so to entrench itself in the key positions of the economic system as to be safe from a similar attack. Labour, it was proclaimed, would make speed, when it came back to power, to nationalise the banks—the deposit banks as well as the Bank of England—and to take over enough of the vital industries to be able to maintain production even in face of a withdrawal of “capitalist confidence.”

In this mood, the Labour Party Conference of 1932 declared both for nationalisation of the banks and for the pursuance of a definitely Socialist policy by the next Labour administration. But before long opinion began to swing back the other way. The party organisers, especially after the Nazi victory in Germany, became convinced that an extreme policy, or even any policy Socialist enough seriously to disturb “capitalist confidence,” would fail to enlist the support of those sections among the electorate which, while they were well disposed towards a moderately progressive policy, wanted to be let alone, and were certainly not prepared to risk any avoidable upsetting of the economic system. These electors, it was held, would vote for social reform, and for some advance towards Socialism, if it could be presented to them as necessary in order to make social reform effective and also as compatible with the continued smooth working of the economic system as a whole. They would not vote for any sort of Socialism that took its stand on the class war, or looked likely, because of the concerted capitalist opposition that it would arouse, to provoke a “crisis,” and to make the life of the ordinary citizen, even if only in the short run, more uncomfortable than it already was.

In the event, this policy of constitutional moderation carried the day. The Trade Unions, still feeling the effects of the defeat of the General Strike in 1926 and further weakened by the economic depression, threw their influence on the side of gradualism; and the Labour Party fought the General Election of 1935 on a gradualist programme which did not differ in essentials from those of 1924 and

1929. Nor did the disappointing results of the Election cause the party to modify its attitude; for by this time the growing threat of war had made it think a good deal less of Socialism than of saving democracy's skin. It wanted to rally behind it all the progressive elements in the electorate—all who hated Fascism, and were prepared to stand for democracy as the instrument of a moderately progressive policy. Now was not the time, said many of its supporters, to press for Socialism; the really urgent matter was to unite the country behind a democratic policy of resistance to Fascist aggression—pooled security through the League of Nations and, in home affairs, a strictly moderate and limited programme of social progress which would not frighten off the intermediate electors.

In France, the logic of such a policy was the union of the left parties, *bourgeois* as well as Socialist, in the *Front Populaire*. But in Great Britain there appeared to be neither the same urgency—for there was no immediate danger of Fascism at home, as there was in France—nor any *bourgeois* progressive party with which a useful alliance could be made. The British Liberals were too weak to be worth much as an electoral asset, even if they had been prepared to join an electoral alliance *en bloc*; and the British electoral system, lacking the second ballot, which was the principal instrument of the French *Front Populaire*, did not lend itself to inter-party bargaining. Therefore, the Labour Party, instead of seeking allies, sought to adapt its own programme to the needs of the time, and to induce all the wavering progressives to come into its ranks, or at least to give its candidates their support at the polls.

In the view of the British leaders, it was a necessary corollary of this policy that the Labour Party should continue decisively to repudiate Communism, and to reject any United Front with Communists as much as with Liberals—or even more. For if Labour was to appeal to the country as *the* democratic party, demanding the support of *all* the progressive electors, it had, or thought it had, to place its democratic principles and its constitutionalism beyond all

suspicion. Therefore, even though the Communists, under stress of the Fascist danger, had come round to a policy of democratic defence which was in essence much the same as the Labour Party's, the Labour Party would not have them as allies; and the few Labour leaders of the "left" who persisted in agitating for a United Front were threatened with expulsion, and disciplined into giving up their inconvenient habit of fraternising with the Communists in joint campaigns for "working-class unity." At the same time the Labour Party programme was re-drawn, so as to include only the immediate measures which a Labour Government would be pledged to attempt during its next period of office; and the comprehensive Socialist generalisations of previous programmes were jettisoned in order to give the party an appearance of practicality combined with moderation. Thus armed, the Labour leaders still hoped at the next General Election to be able to reverse the unfavourable verdict of 1935.

Of course, in this evolution of Labour policy, the international situation played a predominant part. It became, after the development of the Fascist menace, a matter of common agreement among European Socialists that the most important and urgent task was to check the growth of Fascism and to unite the more democratic countries in a league of pooled security against Fascist aggression. In connection with such an objective, constructive Socialist measures tended to be pushed into the background, and emphasis tended to be put on projects which all democrats—and not only Socialists—could be called upon to support. This did not prevent the advocacy of measures of piecemeal Socialism, such as the public ownership of particular vital industries or services; but it did involve keeping clear of slogans which suggested an immediate declaration of war against Capitalism as a whole.

Thus Labour, under stress of the crisis brought on by the Fascist victories in Europe, reverted almost completely to the gradualist policies which had seemed outmoded in 1931. Nor was this tendency confined to Great Britain;



it was to a great extent common to all the countries of Western Europe. It appeared in the Belgian *Plan du Travail* and in the agreed programme of the French *Front Populaire*, as well as in the British Labour Party's Short Programme of 1937. Moreover, the Soviet Union, though it was under no necessity to be gradualist within its own frontiers, became in effect the ally of the gradualists in its external policy. The more extreme propagandists of the Third International were suppressed; Trotskyist doctrines of "permanent revolution" were denounced as the worst of all heresies; and the Communist Parties of Western Europe threw all their energies into campaigns for rallying all the democrats, however pink, against the menace of Fascism. The Soviet Union went on building up Socialism within its own frontiers; but its leaders ceased for the time being to urge the workers to make haste to bring about the Socialist revolution elsewhere.

In effect, the question of Socialism—as distinct from mere gradualism with a Socialist tendency—has been adjourned in Europe pending the issue of the struggle between Fascism and democracy, or, alternatively, pending the dissolution of the West European States under the impact of a renewed world war. All the world over, the actual outbreak of war would no doubt bring Socialism back right into the middle of the picture; and it is true, even now, that the real issue which underlies the war preparations of Europe—and the actual war in Spain—is between Capitalism and Socialism rather than between Fascism and parliamentary democracy. Fascism is Capitalism's standard bearer; and parliamentary democracy, even if it refuses to carry the Socialist standard, is in effect compelled to fight in the Socialist cause. But this reality remains concealed under the appearance of political and imperialist rivalries; and Socialism, as the ostensible issue, cannot emerge plainly until the conflict has moved on a stage farther than it has to-day.

## VI

### THE FUTURE OF SOCIALISM

BEFORE we can even discuss what the future of Socialism is to be, we must make up our minds what we mean by it. In one sense, the next stage in the economic history of the advanced industrial countries is obviously destined to be much more "socialistic" than the phases through which they have advanced to their present condition; for, whatever cause or party comes out victorious in the political struggles of to-day, there is certain to be a degree of public intervention in economic affairs that would have horrified the individualistic apostles of the "Manchester School" in Great Britain, or the followers of Say and Bastiat in France. Even as in politics "liberal" parties which based their policies on an individualist philosophy of life have gone down to defeat, so economic *laissez-faire*, though it has still plenty of exponents in the academic world, is dead as a practical guide to industrial or commercial, or even to financial, policy. To-day, even gold standards are "managed" standards: there is not one "free trade" country left on the face of the earth; and every State, irrespective of the political complexion of its Government, intervenes to an increasing extent, in order to regulate in one way or another the working of the industrial system. If Socialism meant no more than State interference in economic matters, there would be no need for Socialist Parties or class-struggles to ensure its victory. That victory has been won: nor is there any likelihood of the unanimous verdict of recent years being reversed.

But is that what we mean by Socialism? It is not what I mean; nor is it, I think, what anyone I should call a Socialist means. There is nothing new about State intervention in economic matters. Indeed, the period during which *laissez-faire* held sway, and States intervened as little as they could

in economic affairs, beyond upholding by legal sanctions the fundamental relations necessary to the prevailing economic system, has been but a brief interlude in economic history. Regulated industry, as well as regulated trade, was characteristic of medieval economy, of the *ancien régime* in France, of Germany up to quite recent times, and of England under the Tudors and Stuarts. If State intervention is Socialism, then Mercantilism was a Socialist system; and the world has been living under Socialism through by far the greater part of human history.

This, however, is not what Socialists mean by Socialism. They mean, not a regime under which the State interferes in the conduct of economic affairs, but a classless society in which economic activities are directly conducted under public auspices, on a basis of public ownership of the means of production, and democratic control of the uses to which capital and labour are to be applied. The essence of Socialism is not public interference but public ownership—and not merely public ownership in a formal sense, but the use of the publicly owned resources of production to serve the needs of the whole people. Nationalisation is not Socialism; for “nationalised” enterprises, if compensation is allowed to their past owners, may be merely State-administered services which still remain, in essence, private property. A nationalised service which continues to pay five per cent. in interest to bondholders on the value of its capital does not differ essentially from a privately owned service which pays on the average, year in and year out, five per cent. in dividends to its shareholders. Socialism is not simply a change in the formal arrangements for the conduct of industry: it involves, above all else, a change in fundamental class relationships.

When, therefore, we set out to inquire into the probable future of Socialism, the essential question is not whether public intervention in economic affairs is likely to increase—for of course it is—but under what auspices and with what objects this increase is likely to occur. For there are two broadly contrasted ways of using the power of the State to

control economic operations; and between these two ways the world has to make its choice.

Both Italian Fascism and German Nazism, if I understand their attitudes aright, set out to establish the rule of the State over the economic life of Society, with the aim, not of superseding private enterprise, but rather of helping it to retain its essential character, and, above all else, its power to exploit the workers as a subject class. We did indeed hear, in the earlier stages of the Fascist advance to power, denunciations in plenty of the malign influence of large-scale Capitalism and especially of financial Capitalism. The Fascists announced their determination to safeguard the position of the small-scale producers and traders against the trusts, the bankers, the multiple stores, the Co-operative Societies and all the agencies that were threatening to crush them out. The State, we were informed, was to regulate industry, in order to prevent the domination of the great industrialists, the bankers, the mysterious "international Jewish financiers" against whom a large mass of popular animosity could be easily aroused. It was said that the economic system was to be made safe again, under State protection, for the small-scale industrialist, the peasant, and the private merchant, provided only that these little *entrepreneurs* were prepared to fit in with the requirements of a controlled economy and, as the price of getting the State's protection, to subordinate their personal ends to the needs of the National State. They were promised that they would be saved on the one hand from capitalist trusts and combines eager to engulf them, and on the other from a menacing working-class movement that threatened to sweep away their claims to economic and social superiority. The Fascist State was not to run industry, as long as the industrialists would run it as the State required; but, as the *quid pro quo* for receiving protection against large-scale Capitalism on the one side and revolutionary Socialism on the other, the small-scale industrialists and peasants were to swear fealty to the Fascist or Nazi regime.

But when Fascism had achieved its victory, and succeeded

in crushing the Socialist and Trade Union movements, much less was heard of the determination of the new rulers of Italy and Germany to make war upon Big Business. The great industrialists, even while Hitler and Mussolini had been most loudly denouncing them, had been supplying most of the money which enabled the Fascists to carry on their campaigns almost regardless of expense. Big Business was quite prepared to be called names, as long as it could get the Fascists to destroy the Socialist and Trade Union movements on its behalf; and it was fairly confident that, when the forces of which it was really afraid had been thoroughly vanquished, it would have nothing to fear from the new rulers whose paymaster it had been. Nor did the Fascists, when they were installed in office, make any attempt to carry out their promises of action against the big employers or the banks. On the contrary, they proceeded to organise the various industries in corporations or cartels—call them what you will—in which the control of production became effectively vested in the big capitalist firms. The most they did was to establish some degrees of State control over prices and policy, so as to make Big Business their accredited agent. This control was innocuous enough from the standpoint of the employers, who were amply compensated for it by their new unrestricted power to exploit labour without any possibility of Trade Union resistance. At times, indeed, the employers might dislike or resent orders passed on to them by the Fascist State. But in such cases they could protest and argue without the prospect of being gaoled or even executed like workmen who ventured to question the orders of their new masters. Fascism and Big Business appeared plainly as allies. Many of the employers would doubtless have preferred, in the abstract, a different kind of State. But at bottom they were well pleased with any State that would keep the working class completely in subjection, and remove the fear of Socialism from their minds.

Thus, even when the Fascist States did interfere with the working of capitalist enterprise by showing an increasing

tendency to subordinate merely commercial considerations to the requirements of rearmament and national *autarkie* with a view to war, the leaders of Big Business were never minded to push their objections to any length that might endanger the strength of the police State, or bring the Socialist danger back. They were content to exact terms which safeguarded their profits. As long as Fascism left them the economic mastery of a disarmed and dispirited working class, their final loyalty to the Totalitarian State was assured.

Fascism thus proceeded to build up, with the certainty that Big Business would not seriously oppose, a system of "planned" industry in which the State intervened at every point in order to ensure the adaptation of the national economy to the needs of war-preparation. This meant controlled production, with a view to *autarkie*; controlled foreign trade, in order to procure and conserve the means of paying for imports of war materials and other commodities needed by the State in accordance with its programme; and controlled banking, in order to secure foreign exchange resources, and direct the flow of internal credit in accordance with the requirements of the National Plan. The State could assume all these controls without danger of a real rupture with Big Business, provided only that it guaranteed the right to exploit labour without let or hindrance.

A system of this type is not Socialism, but its very anti-thesis. It is quite definitely an attempt to stave off Socialism by instituting a controlled capitalist economy in the interests of the private *entrepreneurs*. It is fully possible for such a regime to lead to the public ownership of certain types of enterprise, and to their conduct through public corporations or boards of control. But this would happen only where the services in question could not be made, under private capitalist control, to fit in with the basic requirements of a general plan designed to make private Capitalism the State's accredited agent for the conduct of economic affairs. Moreover, even where enterprises were taken over by the public, the capitalist interests concerned in them would be fully

compensated, and the greatest efforts would be made to keep in their management as close a likeness as possible to ordinary capitalist concerns. They would become State trusts instead of private trusts—that would be all.

For according to the Fascist philosophy, it is not the function of the State to conduct industry, but only to control it without conducting it, in the same way as it is to control every other aspect of social life—from newspapers to Churches, and from sport to literature and the arts. A “planned economy” of a sort certainly emerges under these conditions; but it is a form of planning designed to reserve the largest possible sphere of operation to private enterprise.

Nor, despite all the earlier professions of the Fascists, does this sort of planning favour the small-scale capitalist against his greater rivals. All it does is to endeavour to keep a place for the small man, where he can be fitted into a system mainly dominated by large-scale enterprise. The Fascists are ready to foster peasant proprietorship; but they subject the small proprietor to the large dealer. They are prepared to help the small shopkeeper by breaking up the Co-operative movement, and even by making war on a few big multiple shops and chain stores which happen to be under Jewish control. But at this point their tenderness for the small man stops short. The talk, so loud in the days of opposition, when the *petite bourgeoisie* was needed to fill up the ranks of their shock troops and party organisations, is speedily seen to have been mere moonshine when the task of ordering the new State has fallen actually into their hands.

Theoretically, Fascism set out as the enemy of both Socialism and large-scale Capitalism—the friend of the intermediate classes. Its apparent ideology was based on “pre-capitalist” and not on “post-capitalist” or Socialist notions. It exalted the private profit-seeking of the individual *entrepreneur*, including the peasant, into the supreme economic driving force; and it aimed at preventing this diffused motive of profit-seeking from becoming

concentrated in the hands of a small class of great industrialists and financiers. Recognising that an uncontrolled private economy had no chance of standing up against the double attack launched upon it by large-scale Capitalism and by Socialism, it claimed to be setting out to defeat them both. But it was even from the first obvious that its real and fundamental hostility was to Socialism and not to the great capitalists; and, when it had climbed to power, it hardly needed any longer even to pretend that they were its enemies—except when they were Jews. The ideology of national aggrandisement by means of armed force leapt to the forefront of its appeal; and the anti-trust cry was drowned in the megaphonic appeal for a nationally organised industry as a necessary part of the preparation for war.

Socialism stands at the opposite pole from this Fascist notion of State control, to which it seems at times to bear a superficial resemblance. For Socialism aims above all else at superseding the profit motive as the driving force in economic affairs, and at eliminating the private ownership of the means of production in order to plan industry, not for national aggrandisement, but for the benefit of the whole people as consumers. For this purpose Socialists demand public ownership. They do not indeed for the most part want industries to be conducted directly under the administration of the State; for they recognise the need for the creation of special public organs of economic control. They too will have boards and corporations for the conduct of industry; but these bodies must in their view consist of public servants, and not of profit-makers, and be so operated as to conform to the requirements of a general economic plan. This plan must be laid down by the State itself, with the object of securing a more even and equitable distribution of the product of industry, and must be organised on a basis which will give the workers engaged in the various industries an effective share in their management.

Thus, the vital difference between Socialist and Fascist theories of economic organisation is that Socialists aim not



at national greatness for the class State but at the nearest practicable approach to equality in the distribution of the national income, at the elimination of class differences among the population, and at the establishment of a truly democratic regime in industry, as well as in the political sphere. They do not believe that democracy can effectively exist in any Society, whatever its political constitution may be, as long as the citizens are divided into conflicting economic classes, marked off one from another by large differences of income and status. They hold that political democracy must remain at bottom a sham until it is complemented by economic democracy. This is why they wish to abolish production for profit, and to direct productive activities by reference to the standard of collective needs, making incomes, as far and as fast as is possible, not rewards for work done, but social claims upon the common product for the satisfaction of reasonable human wants.

Socialists, then, do not regard the increase in State control over economic affairs, irrespective of the purpose to which it is directed, as marking any advance towards a Socialist system. On the contrary they see in Fascist forms of State control a means of defending against Socialist attacks a system of private enterprise which can no longer hope to survive unless it is upheld and organised under the auspices of an authoritarian State.

Undoubtedly, the Fascist challenge to Socialism is formidable. Even in the countries which have been the chief strongholds of the parliamentary system, the fear of Fascism has led many Socialists to a somewhat hysterical reaffirmation of their faith in parliamentary institutions, and in the possibility of achieving Socialism by parliamentary and constitutional methods; while it has also led the Communist minorities to rally to the defence of the parliamentary system, not because they have become converted to a belief in it, but because they realise the need for making common cause with the democrats in order to prevent Fascism from overrunning the world.

In this situation, a good deal of revision of opinion arises

in the ranks of the Socialist parties. For between the Communists, who are revolutionaries drawn to temporary compromise by the force of events, and the "right wing" Socialists, who are determined to make absolutely plain their devotion to purely parliamentary and constitutional methods, there exists a large intermediate body of opinion. These intermediate groups are definitely not Communist, in the sense of regarding violent revolution as the only possible means of dethroning Capitalism; but they are also unwilling to commit themselves to a rigid adherence to constitutionalism, even if the defenders of Capitalism resort increasingly to methods of violence, such as were actually used for the overthrow of Social Democracy in Germany and Italy.

It is naturally the policy of the opponents of Socialism to represent even those Socialists in the parliamentary countries who urge the necessity for a revision of parliamentary methods as advocates of "dictatorship," both in order to make the "moderate" electors frightened of Socialism and in the hope of driving a wedge between the Socialist groups. But in fact the Socialists who occupy this intermediate position do not preach anything remotely resembling dictatorship, in either a Communist or a Fascist sense. What they urge is that the existing forms of parliamentary procedure have been designed to fulfil a function of merely piecemeal legislation, introducing secondary reforms within an economic system that has been regarded as beyond challenge in its essential institutions, and that this procedure cannot be used without large modifications to carry through a thorough-going change of economic and social system. The adoption of a Socialist policy, they point out, will involve legislation simultaneously on many matters, over a very wide field; and the passing of the required body of new law is quite beyond the powers of the parliamentary system as it is at present arranged. Moreover, they hold that any attempt to introduce Socialism by parliamentary methods will inevitably create an emergency so grave as to require the conferring of special powers on the Government which

attempts it—of powers, for example, to check a flight from the currency, or a widespread suspension of business activity on the plea that the capitalists cannot afford to carry on. Accordingly these Socialists urge that an incoming Socialist Government which does attempt to advance beyond mere social reform towards constructive Socialism will have to demand special emergency powers of administrative action, and will have, in addition, if it is to cope successfully with the great mass of new legislation that it will need to pass, to modify the character of legislation, so as to deal in Parliament as far as possible only with questions of principle, and to leave the details to be worked out by subsidiary agencies, established for this special purpose, without consuming the valuable time of Parliament on them, so as inevitably to fritter away the opportunities for constructive achievement, and induce chaos instead of the new order which must be brought quickly into operation.

It seems so evident that action will have to be taken on these lines if a real attempt is to be made to introduce a Socialist system by parliamentary and constitutional means that it is not easy to appreciate the strong opposition which such proposals are apt to arouse among Socialists of the ultra-parliamentary type. Perhaps the truth is that these Socialists are not really contemplating the introduction of Socialism at all, except at some quite undefined future date, but only the introduction of further reforms within the existing capitalist framework of society. It is indeed clear that to a great extent the Socialist parties in the parliamentary countries are not in fact looking forward to or working for an early establishment of any general system of Socialism, but are rather the inheritors of the social-reform traditions of nineteenth-century Radicalism, reinterpreted so as to lay more stress on social legislation and collective action by the State. Certainly this was true of German Social Democracy; certainly it is true of the Socialist parties of Scandinavia and Belgium, and even France; and it is also obviously true of the Labour Party in Great Britain.

The lesson of Fascism for Socialists can in fact be interpreted in two opposite ways. It induced some Socialists—the “left wing”—to argue that the fall of German Social Democracy revealed the danger of gradualist policies, because of the meagreness of the reforms which they were able actually to achieve within the limiting conditions of Capitalism. The disappointments to which this meagreness gave rise, it was argued, would make the parties which clung to gradualism, together with the parliamentary system on which they relied, easy victims of Fascist attack. This school of Socialists therefore advocated the revision of parliamentary methods as the only possible way of making a more rapid advance towards Socialism, and thus staving off the Fascist danger. On the other hand, the Socialist “right wing” argued that any departure from established parliamentary methods of action, even if it were in reality designed only to strengthen Parliament as a constructive democratic force, would be likely to hasten and encourage the growth of Fascism, and that the right policy for Socialists was that which seemed least likely to scare off the intermediate voters.

In Great Britain the “right wing” of the Labour Party remains in control of the party machine, and has been able at recent conferences of the party easily to beat off the attacks and criticisms of the Left. In the Continental countries, where the Fascist danger is greater and the parliamentary tradition less strong in the minds of the people, the situation is somewhat different.

The facility with which the Left has been swept aside has been mainly due to the belief that, for the time being, not Socialism, but the defence of democratic institutions, is the vital issue. In France, this feeling has led the Socialists to renounce their old opposition to coalitions, and to become partners with the Radicals in successive Governments of the *Front Populaire*. In Belgium it has led the Labour Party farther still—into coalition with the Catholic and Liberal parties on a basis broad enough to include even the most conservative elements in Belgian society, in successive

Governments to which Communists on the one hand and Fascists and semi-Fascists on the other have constituted the only opposition. In Great Britain, on the other hand, the Labour Party has continued to announce its abhorrence of coalitions. But, though it has refused to accept any sort of "Popular Front," it too has narrowed and moderated its programme in order to make a more effective bid for the support of the middle body of opinion.

In effect, in these three countries, the effect of the rise of Fascism has been to make the main body of the Socialist parliamentary leaders more cautious and moderate in their policies, because it has led them to court the alliance of "liberal" elements in Society for the purpose of preserving parliamentary institutions against a Fascist attack. Only minorities have drawn the opposite conclusion—that Socialism needs to be bolder, and not more moderate, if it is to avoid disaster.

There is indeed among those who have stressed the need for an alliance of "democratic" forces against the danger from the "right," a tendency in some quarters to insist on the need for a revision of parliamentary methods if the parliamentary system is to be saved from disaster. This is found in the *Plan du Travail* adopted by the Belgian Labour Party under the influence of Henri de Man, and also in many of the utterances of the leaders of the French Socialists. But there is in both France and Belgium a desire to seek this revision in collaboration with the "left wing" of *bourgeois* Radicalism. In Great Britain, on the other hand, as the Labour Party hopes, despite its defeats in 1931 and in 1935, soon to grow strong enough to form a Government of its own, the leaders are inclined to stand by the existing parliamentary methods, or at any rate to say nothing about the need for modifying them until they have got themselves actually into power.

Undoubtedly, these cross-currents in European Socialist opinion are indicative of the fact that the Socialist movement is passing through a very difficult phase. The eclipse of Socialism in Italy produced no large repercussions in Euro-

pean Socialist circles because Italy was not an advanced industrial country, and the Italian Socialist movement was not very influential in international Socialist thought. But the German Social Democratic Party was, together with the British Labour Party, generally regarded as the strongest and best organised Socialist party existing outside the U.S.S.R.; and the complete and unresisting collapse of German Socialism before the Nazi assault was, for Socialists throughout the world, a humiliating and frightening occurrence. It raised at once the question whether Socialists had all the time been wrong in supposing that the growing difficulties of capitalist industry would before long prepare the way for Socialism; for the evidence of Germany seemed to show that the middle groups in Society, under the pressure of economic adversity, so far from allying themselves with the proletariat to introduce Socialism, would be much more likely to go Fascist in the hope of saving the class system and maintaining their own superior social and economic status. It seemed to indicate that they would attribute their difficulties rather to the menace of Socialism than to the faults of Capitalism and be prepared to join forces with anyone who would promise to smash the working-class movement.

Undoubtedly this is what did happen in post-war Germany; but there are certain special conditions which help to explain why it happened. Germany was a defeated country, smarting under the sense of defeat, and suffering under the extraction of reparations by the victors. A large part of the people was oppressed with an acute feeling of inferiority, which found expression in violent outbursts of nationalist sentiment. The Socialists, too weak or too timid to establish a Socialist regime, became connected in the public mind with the unpopular policy of treaty fulfilment and thus with the most humiliating aspect of the Weimar Republic. If the Nazi movement had depended solely on economic motives for its support, it would never have conquered the mind of a large enough part of the people to force its way to power. As matters stood, it was able to

combine with its economic appeal to an impoverished middle class, an impoverished peasantry and the worst-off section of the unemployed—who hovered between it and the opposite extreme of Communism—an appeal to outraged national feeling; and the combination of these two appeals was too strong to be successfully resisted. Even to the last, the main body of German Social Democrats stood firm in its voting allegiance. But the young drifted away from Social Democracy, a fraction of them to Communism, but many more towards the more specious appeal of Nazim to the “German spirit.”

In Great Britain, and even in France and Belgium, the situation is very different. There is no military defeat to create a sense of national inferiority, and no sense of a stain upon the national honour needing to be wiped out. National feeling exists; but save among militant Irishmen and militant Flemish Nationalists and a few militant Alsatians, national feeling is in these countries largely pacific in tone. Its aim is to preserve what has been secured, not to retrieve what has been lost. Nor has there been at any time a mass of economic distress at all corresponding in scale to that which existed in Germany. There has been severe unemployment in Great Britain and in Belgium, and in France. But there has been nothing like the practically universal distress of every large section of the population that existed in Germany under the Bruening Government.

Certainly in Great Britain, though Fascism is growing on a small scale, there appears at present to be a decisive absence of the conditions required to turn it into a really formidable movement with any real chance of seizing power. British Fascism may be a nuisance, but it is not yet a national danger—or likely soon to become one unless the economic situation should take a quite startling and unexpected turn for the worse. What is far more likely than Fascism in Great Britain is a further instalment of parliamentary reaction, administered through a Government still wedded to the preservation of parliamentary forms. At the same

time it is not easy to believe that the advent of a new Labour Government would mean in practice anything desperately dangerous for the capitalist system. The British capitalists are not at present nearly frightened enough of Socialism to take to subsidising British Fascism on the grand scale. As long as they can have Mr. Chamberlain, they do not need Sir Oswald Mosley. It is doubtful if they would need him even if Mr. Attlee were allowed to try his hand at the wheel for a time—though that is not quite so certain; for Capitalism's reaction to a Labour electoral victory would depend largely on the international situation at the time of Labour's advent to power.

For even if the Labour Party were to get a clear majority in the House of Commons, it would still have to face the opposition of the House of Lords and perhaps of a Crown whose powers have never been exactly defined, and above all it would have to take account of the will to compromise which is strong among a large section of the British people. The advance towards an actual attempt to introduce Socialism would be likely to be slow and hesitant. Some Socialist measures there might be; but they would be measures which could be introduced without much interference with the continued working of Capitalism over the greater part of the economic system.

These conclusions rest, however, on two assumptions—that there is no startling deterioration of the economic position, and that there is no war. A serious worsening of economic conditions might at any time create in either Great Britain or France a far larger body of active determination to change the economic system than exists to-day; and this would tend to make the Labour movements of both countries adopt a more militant policy. This could, however, hardly come about without raising up a stronger counter-movement directed against Socialism: so that there would be a struggle of two extreme forces against the compromises which lie at the basis of the present parliamentary system. Either Socialism or Fascism might be the outcome of such a struggle, whether it were carried through by actual



revolution or by a change in the policies of the leading parliamentary parties. I can, however, see no probability of such a situation arising in the near future from purely economic causes. Even if there is another slump there is no real likelihood that economic forces alone will lead speedily to so great a sharpening of social conflicts as to lead to a revolutionary situation, at any rate in Great Britain.

War would be quite a different matter ; for the disordered economies of the leading States would be far less able now to stand the shock of war than they were in 1914. War to-day or to-morrow would mean universal resort to inflation, great difficulty in maintaining necessary supplies, the exacerbation of social conflicts, and in all probability the complete dissolution of the surviving parliamentary systems of the European States. There would be, in most countries, and above all in Great Britain, much stronger anti-war feeling than there was in 1914, and more Socialist sentiment. War would almost certainly bring either Socialism, or an attempt to establish Socialism which, if it failed, would wipe out the traditional parliamentary institutions of the " democratic " countries, and bring some sort of Fascism instead.

This is a realm of hypothesis into which it is unprofitable to venture further, relevant as it is to the future of Socialism as a world force. For without war or further economic catastrophe, while the power of the State in economic matters is certain to grow, and the popular pressure for further social reforms certain to continue, Socialism in any real sense still seems a long way off in the advanced States of Western Europe. As matters stand, it seems more possible in Spain than in France or Great Britain ; for in Spain there is no longer any effective party of compromise to stand between the rival extremes.

But, in this analysis, what of the New World, which some have proclaimed to be hurrying under President Roosevelt's guidance much faster towards a kind of Socialism than any European country except Russia ?

There was in reality nothing Socialist about President Roosevelt's "New Deal." It involved indeed an immense amount of State interference with business enterprise, in what had been hitherto the most individualist country in the world; and it may leave behind it a lasting legacy of State control over economic policy. It has already become plain that it cannot be easy to wipe out emergency measures even when the emergency can be regarded as at an end. But, as we have seen, State intervention is a very different thing from Socialism; and the President of the United States is certainly no Socialist. He has been trying to use the power of the Government to revitalise private enterprises, to free individual farmers and small *entrepreneurs* from the staggering burden of debt, to encourage Big Business to co-operate under codes and working arrangements—in short, to set American Capitalism again on its feet, and not to supersede it. To the extent to which he has succeeded the American business world has been prompt to call for the removal of the State controls which it accepted from him as long as it could not do without the State's help. For Big Business had to confess its sheer impotence to deal with the crisis; but it by no means surrendered its claim to the future conduct and control of American industry. This does not mean that American Capitalism will emerge unchanged from the New Deal. On the contrary, it has learned from it many lessons in economic co-operation which are likely to increase its strength. It is true that one consequence of the New Deal has been to stimulate American Trade Unionism to a remarkable extent, and to break the Company Unions on which Big Business largely relied for keeping the workers in their places. American Labour has been born as a social force during the years of adversity; but that is not to say that it has yet securely established its position.

It is indeed hard to imagine that these forces will in the near future become powerful enough to lead the United States in the direction of Socialism; for it is difficult to imagine Socialism being built up in a country where there

is so little Socialist consciousness, and hardly any Socialist movement. A Socialist movement may grow in time; but assuredly there is no body of men yet in the United States capable of taking hold of that vast Society and running it on Socialist lines, or even of thinking out for it a comprehensive Socialist policy in terms capable of appealing to the general body of the working class. In America, at any rate, the capitalist phase does not seem to be over; and at best the American economic system is far more likely to be reconstructed on somewhat more liberal capitalistic lines than to give place as yet to a Socialist system.

What, then, is the conclusion? That the Socialist movement, in its accepted parliamentary forms, has suffered a serious set-back all over the world as the result of its obliteration in Germany. In its Communist form it seems to have established itself firmly in Russia, and to be gaining in influence in Asia. It may even spread from Russia to the neighbouring parts of Eastern Europe; but, for the near future, this seems less likely than it did, and the Russians themselves are now more intent on consolidating their own internal position and on saving their own country from Fascist attack than on carrying on the revolution in the rest of Europe. As far as Western Europe is concerned, there is no sign that the Communist movement is likely in the near future to win over the great mass of the workers. Most West-European Socialists will cling to parliamentary methods, if parliamentary methods remain open to them; but they will be led to seek more and more for a new parliamentary technique adapted to the rapid carrying-through of their programmes of social transformation. Whether they will succeed in this has still to be seen; and it is also doubtful whether parliamentarism will survive in forms which will admit the possibility of advancing towards Socialism by constitutional political action. If parliamentarism is so changed by the opponents of Socialism as no longer to leave this open, obviously Socialist strategy will have to change too, in a more revolutionary direction. But, in Western Europe, Socialists are likely for the most part to cling to

parliamentary methods as long as they can. They will become revolutionary only if they have to, and not from choice. And Great Britain, the stronghold of parliamentarism, seems destined to be the country in which the attempt to institute Socialism by reformed parliamentary methods will be persisted in most of all.

## VII

### CAN CAPITALISM SURVIVE?

IN this sorely tried and puzzled world of to-day, there is room for both short and long views; but there is hardly any room for views of what I may call the middle distance. Thus, in answering the question "Can Capitalism Survive?," it is possible to reply in terms of the immediate future, with some estimate of Capitalism's capacity for weathering the crisis which has been upon the world since 1929. Or it is possible to look much farther ahead, and seek to measure Capitalism's capacity for long-run survival, in face of its manifest tendency to waste the resources of production by unemployment and to expose us and them to the devastating danger of war. What is not possible, or at any rate not profitable, is to take a middle view, and to estimate where Capitalism, either here or in the world as a whole, is likely to be in ten or in twenty years' time. For to-day the immediate outlook is so uncertain that we find ourselves compelled either to go back to first principles or to take very short views. We may maintain, as Socialists, that the contradictions of the capitalist system not merely remain unresolved, but become every year more glaring, and that more and more capitalist imperialism threatens year by year to tear itself and the world in pieces by universal war. But we have to recognise that as far as the coming decade is concerned these inherent tendencies of Capitalism are so intertwined with secondary tendencies, which manifest themselves daily in the current turmoil of world affairs, that however certain we may be of Capitalism's ultimate downfall, it is quite beyond our ability to say how or when the final crisis will arrive, or by what stages world history will move on to its next epoch, or even what the essential configuration of world affairs will be in ten or twenty years' time.

As a Socialist, I am confident that Capitalism cannot

survive indefinitely. No system does; for the basic social and economic forces are not of such a nature as to allow permanence. Every Socialist is Marxist enough to accept that, and to be well assured that Capitalism, like Feudalism before it, is destined some time to decay and dissolution. But when or how? That is the interesting part of the problem; and that is what I want principally to discuss.

The fundamental contradiction of Capitalism, according to the Marxists, lies in its inability to make use of the growing technical forces of productivity. It is constantly bringing these forces into being, constantly enlarging the world's technical capacity to produce wealth, constantly dangling before humanity the prospect of assured abundance. But despite the accelerated advance of the productive powers, mankind over a large part of the capitalist world has been growing of late not richer, but poorer; and there has appeared in one capitalist country a new kind of unemployment—no longer mere seasonal lack of work, no longer even mere cyclical fluctuation in the demand for labour, but chronic unemployment, sheer redundancy of a part of the available labour force in relation to capitalist demand, sheer throwing of able-bodied workers on the scrapheap because, despite the continuance of poverty, Capitalism can find no use for the product of their hands.

Marx prophesied long ago that this would come to pass. Nearly a century ago, when Capitalism was still hurrying on to one conquest after another, he foresaw that in the end its very fecundity in invention would bring about its defeat, because it would become impossible within the limitations of the capitalist order to find consumers for the expanding wealth which the system would be technically competent to produce. He foresaw crises of growing magnitude, as the absolute expansion of the powers of production came more and more into conflict with the narrow limits of consumption. Capitalism, he held, could not allow consumption to keep pace with productivity because scarcity was for it the necessary condition of profit-making, and because it was of its very nature accumulative so that it would tend always to

invest in means of production more than could find an outlet through the consuming market. Means of production—that is, capital goods—are of no use at all unless they issue finally in a more ample flow of consumable goods and services. Saving and investment, unless they minister to future consumption, are sheer waste. It follows that, unless the will and the power to consume expand fast enough to take off the market all the goods and services which the resources of production allow to be produced, unemployment and crisis will inevitably arise. Factories and men will be thrown idle for want of a profitable market; and the system will be able to recover, and to address itself to a fresh advance, only when there has been a vast liquidation of unwanted productive power, that is, when many plants have been scrapped, many firms driven into bankruptcy, and very many workmen and technicians cast out of their jobs, to take their chance of re-employment when at last the crisis ends, and even then, very likely, to find their skill obsolete, and their best hope mere unskilled labour, if indeed there is any work still open to them at all.

Marx saw this nemesis coming upon Capitalism; and for nearly a hundred years the defenders of Capitalism have had a fine time refuting him. They have exposed the fallacy of his argument by pointing to the huge strides forward which Capitalism has made since first he denounced its contradictions. They have shown how the workers in the capitalist countries, far from suffering increasing impoverishment, have grown materially very much better off; they have pointed to the undoubted huge enlargement of the market for consumable goods; and while they have been unable to deny the continued liability of Capitalism to recurrent crises, they were arguing until only the other day that these crises, instead of becoming, as Marx anticipated, more severe, were in fact growing less formidable, and inflicting less distress either on the working classes or on the capitalists themselves.

Until only the other day—that is, until Capitalism plunged headlong into the latest and most devastating

crisis of all. For no one can possibly deny that the world crisis which began with the Wall Street crash of 1929 has been severe beyond precedent, so that there was, for us Socialists and for panic-stricken business men as well, a strong temptation to mistake it for the final crisis of the capitalist system. We know now that it was not that; for one capitalist country after another, after staggering under the blows which were rained upon it between 1929 and 1932, has emerged into at least partial recovery, and in not one single country has Capitalism failed to survive. Despite the working example of Russian Socialism, there has been no Socialist revolution as a result of the crisis in any other country; for revolution and counter-revolution in Spain, while by no means unaffected by the world economic crisis, cannot be attributed to it in any direct sense.

The crisis has been unexampled in its severity; but Capitalism has not collapsed under its impact. British Capitalism, American Capitalism, French Capitalism, German Capitalism and all the lesser Capitalisms of Holland, Italy, Belgium and the rest, remain in effective possession of their respective countries and peoples. The great capitalist Empires have not dropped to pieces; on the contrary, some of them—Japan's and Italy's—have been enlarged by new conquests. Liquidation has taken place upon an unprecedented scale: debts have been repudiated right and left; many giants have been flung out of the capitalist heaven, and countless pigmies ground to powder. But in every country, except Russia, and perhaps (who knows?) Spain, the essential capitalist institutions remain intact. Capitalism has shown one thing very plainly indeed during the last few years—its toughness. It has shown itself "tough" in more senses than one—too tough to be easily eaten up, and "tough" enough to hit back ruthlessly at all who threaten its authority.

Oh, yes, the capitalist is a "tough guy," and Socialists challenge him at their peril. When democracy threatens to bring him to book for his incompetent stewardship of economic affairs, he does not wait to be hit. He hits first—



well below the belt. Italians, Germans, Austrians and Spaniards have all good cause to know his methods; and in every Fascist country the eclipse of democracy has left Capitalism intact. The world crisis has failed to finish Capitalism by economic means; and when it has led to revolution, not Socialists but Fascists with capitalist money-bags at their service have made the revolutionary running.

There are, then, two aspects, distinct but closely connected, from which the question of Capitalism's power to survive has to be regarded. The first aspect is economic in a narrow sense. If not under this crisis, then under the next or the next after that, will Capitalism so break down economically as to be unable to carry on the work of keeping the people alive? Will the vast machine of capitalist production come to a dead stop because of the inherent economic contradictions of the profiteering system?

The second aspect is not purely economic, but economic-political. Will Capitalism, if it finds itself threatened either with economic collapse or with peaceful supersession by Socialist democracy, make in other countries, including our own, the same counter-revolution as it has made already in Italy and Germany? And, if it does, and the counter-revolution for the time succeeds, will it be possible for Capitalism, by sheer repression of the forces making for a new social system, to re-establish and stabilise its authority? Will this stabilisation be possible in the countries in which Fascist revolution is already an accomplished fact?

These two aspects of the matter call for separate discussion, though in the end the strands of the argument will need to be united. Let us begin, then, with the more narrowly economic part of the problem. Let us for the moment put all the political complications out of mind—we shall come back to them later—and let us think of the capitalist system purely as an economic system, comparing the crisis of the past few years with previous crises, watching and measuring as far as we can the forces of economic recovery that have made themselves manifest since 1933, and inquiring what is likely to happen to the capitalist system if—to

put the matter in the crudest possible way—the capitalist countries do not go to war.

Objection may be taken to this method of considering the question on the ground that the resort to war is so unavoidable an outcome of the present situation of world Capitalism that it is unrealistic to leave it out of account, even at a preliminary stage in the discussion. But it will hardly be denied that the purely economic factors in this situation are of importance, and have a considerable bearing on the likelihood of war; and this in effect is a sufficient reason for endeavouring to form a separate estimate of their character.

We have still, however, to divide our study of this first part of our subject; for it is necessary to give separate consideration to the economic outlook for Capitalism in those countries which are still working under the institutions of capitalist democracy and in those which, while preserving their capitalistic foundations, have passed under the political dictatorship of Fascism. The underlying economic conditions in these two groups of countries are in many respects the same; but at any rate in the short run they exhibit enough differences to need considering apart.

First, then, in the countries of capitalist democracy, where there has been no political revolution, there has been a desperate struggle to re-establish capitalist production after the crisis of 1931 and 1932. In every country recovery, such as it is, has been achieved only after resort to unorthodox measures. Unorthodoxy has gone to the greatest lengths in the United States, where the prostration of the economic system was most complete. In America, not merely has the almighty dollar sacrificed 40 per cent. of its old gold value: the American farmer has been taught how to earn his living by “not raising hogs”; the sacred American Constitution has been exhibited to all men as a banner torn but flying—flying in the face of twentieth-century needs and conditions. President Roosevelt has invoked business confidence with a rain of money, and has been rewarded with an unprecedented majority for his second term, despite the united opposition of bankers and

industrialists, who would have preferred, now that he has pulled them out of the slough of despond, to push him well in, and go on their way untroubled by further essays in unorthodox finance. Nevertheless Roosevelt, though big business does not love him for it, has pulled American Capitalism through its more pressing difficulties, and saved it from the sheer collapse which seemed to threaten it only two or three years ago. Up to the middle of 1937, American business seemed to be heading towards boom rather than depression, though after the new fashion of Capitalism, even boom left millions of workers unemployed.

As for the renewal recession which developed in the United States in the latter part of 1937, its causes seemed to be largely psychological. American financiers, it appeared, would not take the chances of long-term investment until they had settled accounts with Mr. Roosevelt, and made sure that he would give up his notions of taxing and regulating them in order to promote a better distribution of wealth. But a second cause of the recession lay in the President's actual endeavours to placate capitalist opinion; for his attempts to balance the budget and reduce the outflow of Government money produced an immediate reaction on the volume of current spending power, and thus disappointed the profit-expectations of the capitalists who had been busily increasing their stocks of goods in the confidence of an expanding demand. It is not possible, as I write, to tell whether the combined effect will be to plunge the United States back in the near future into a major depression. But the recession itself is enough to show that the American revival of 1935-6 rests on very precarious foundations.

In comparison with the United States, Great Britain has held by capitalist orthodoxy, trusting her economic fortunes to the "safe" guidance of the Conservative Party. But even here the economic gale has blown a good many old landmarks away. Free Trade has gone, so completely that not even a Liberal dictatorship could bring it back. The pound sterling headed the flight from the gold standard:

the days of gilt-edged 5 per cent. seem to be gone for good and all. The exporting industries have lost a great deal of their foreign trade; and the export of British capital has fallen to a fraction of its previous amount. Yet British Capitalism is plainly firm in its saddle; and the British population, except in the depressed areas, has positively benefited by the troubles of the rest of the world because of the cheap imports which even a depreciated pound has been able to purchase in larger quantities than before. Even the rise in prices in 1936-7 has by no means cancelled this advantage.

In France, where the orthodoxies were respected longer, Capitalism has been more gravely shaken up. Under stress of the depression, the country came for a moment nearer to Fascism, only to swing over to the left when the Fascist thrust failed actually to overturn the regime. Last of the great capitalist currencies the *franc* has gone the way of all gold, and turned into the same depreciated paper as the dollar and the pound. Cleaving too long to orthodoxy, because the small *rentiers* knew less than the great capitalists when to swap horses, France has lagged behind in the process of economic recovery. But French Capitalism, though shaken, remains erect; and the possibility that it may meet any serious onslaught upon its stronghold with a Fascist counter-offensive has by no means passed away.

In France, then, the economic issue remains doubtful; but in both Great Britain and the United States capitalist recovery on a scale sufficient to avert the immediate threat of breakdown, is already an accomplished fact. The events of the past few years have revealed that in the old-established capitalist countries, and above all in Great Britain, the existing economic system can stand up against a great deal of depression and adversity without positively breaking down. In order to shake Capitalism out of the saddle, or to drive it to political counter-revolution in self-defence, far more powerful shocks are needed even than those under which it has suffered since 1929. That is the plainest lesson for us to draw from the economic crisis which drove

Labour out of Government in Great Britain and brought Roosevelt into it with his "New Deal" in the United States.

Here in Great Britain, we have passed through this tremendous world crisis with our economic institutions practically unchanged. Although British Capitalism was peculiarly vulnerable because of its high degree of dependence on overseas investment and on foreign trade, the crisis in Great Britain was liquidated—except for the depressed areas—with singularly little disturbance to any of the vital organs of British economic life. It is true that even in the present stage of capitalist recovery a great deal of distress remains unremedied. But that distress is to a great extent now localised in the so-called "special areas," and affects comparatively little the major part of the population, or even of the working class. Over most of the South, indeed, the sense of crisis was only acute for a few months at most; and actually a majority of the British people, including nearly all those who have been able to keep in regular work, has enjoyed a higher purchasing power during the depression than ever before. Great Britain, owing to her position as the indispensable import market for some of the principal foodstuffs, got the full benefit of the enormous fall in agricultural prices; and so great was the effect of this fall that even the reduced wages paid to the employed workers enabled them to buy more than they could afford when times were better in the world as a whole.

Moreover, though there was, of course, a considerable loss of income from overseas investments, it must be admitted that this loss was very much smaller than anyone would have ventured to predict in face of so serious an upset of the world's economic affairs. On the whole debtors remained quite miraculously eager to pay their debts, or to resume payment as soon as the worst seemed to be over. British Capitalism was still contriving to draw in, at the very bottom of the slump, an astonishingly large amount of tribute from the rest of the world; and some part of this tribute went to keeping up the real wages of the employed workers.

The power of British Capitalism to weather the crisis has thus been greatly strengthened by the creditor standing of Great Britain in relation to the outside world. France occupies a similar position, though to a much smaller extent; and so do the lesser Capitalisms of Holland and Switzerland. In the case of countries so situated, and of Great Britain above all others, the past few years have made it plain that a good deal more than an economic crisis—even of such severity as that of 1929 to 1933—will be needed to shake Capitalism out of the seats of power, or even to drive it to counter-revolution as a means of preserving its hold. If we were looking to purely economic forces to bring about the collapse of Capitalism in these countries, we should have still, at the least, to look a long way ahead.

There were, however, in 1929 certain other capitalist countries possessed of far smaller reserves and of far less accumulated economic authority than Great Britain or France; and among these countries Germany was of course pre-eminent. Germany's was a younger Capitalism, and such reserves as it had once built up had been swept away as a result of the war. Germany was a debtor country, on account not only of Reparations but also of large post-war borrowings for the reconstruction of her economic system. Accordingly, the crisis found the German economy much more vulnerable than the British or the French; and by 1931 distress among very large sections of the German people had assumed much more formidable dimensions than in either France or Great Britain.

That brings me to my second moral—which is that, when the crisis has developed in such a way as radically to threaten the basic institutions of Capitalism, the outcome has been, not the fall of Capitalism and the substitution for it of a Socialist system, but Fascist revolution. Socialism might, no doubt, have come in Germany, either in the years of crisis immediately after the war, or in the renewed crisis which began in 1929—though by that time the failure to advance towards Socialism during the earlier crisis had largely destroyed its chances, by splitting the working-class

movement into wavering factions, when it needed above all else unity against a common enemy. Under the war conditions of 1917 Socialism did succeed in replacing the very weak Capitalism of Czarist Russia, and the attempts at counter-revolution were successfully beaten off. But, as far as we can judge from the experience of the past few years, the immediate outcome of an economic crisis severe enough to shake Capitalism to the foundations in a country possessing a developed capitalist structure is less likely to be Socialism than its very antithesis—the reconstruction of Capitalism under the strong hand of a Police State endowed by the capitalists for the explicit purpose of crushing out every form of democratic opinion and organisation.

Clearly, if that is the position, Socialists have to consider very carefully in the light of it what their policy is to be. For it looks very much as if in the older capitalist countries the capitalist system is still strong enough to stand up against the economic forces that are threatening to destroy it, whereas in the countries in which it is not strong enough to defend itself with economic weapons it retains the means of giving itself a new lease of life by bringing Fascism to its aid.

But at this point it seems necessary to turn aside for a moment in order to consider where, in this classification of capitalist countries into the rich *rentier* type and the poor adventurer type, the United States comes in. For America is neither an old-established *rentier* with huge reserves invested abroad nor a mere upstart, which has forged rapidly ahead on a scanty capital, and has nothing to fall back upon when bad times set in. America stands midway between these two types, younger in its experience of Capitalism and more reckless in its methods, but therewith by virtue of its vast agricultural and technical resources and the great size and diversity of its home market very different from Germany, and already in possession of great reserves at home and not inconsiderable investments abroad.

Now, in this as in previous depressions the United States has shown itself much more liable to extreme economic

fluctuations than Great Britain, despite Britain's greater dependence on the rest of the world. This liability to extremes of crisis is mainly the consequence of America's rawness, its lack of balance, of the fact that it has not settled down, as Great Britain has, to a well-established routine. America's institutions, from banks and industries to Government agencies, are much less stable and experienced in meeting difficulties, especially world difficulties, than those of Great Britain. Consequently America had to improvise a vast new organisation for dealing with the crisis, and to do this under special hardships imposed by the political system, with its federal constitution and its habitual subservience of political to economic authority. While this improvisation was being prepared, America looked for a time like a country ripe for revolution, except that revolutionary leadership was utterly lacking. But as soon as the new machinery had been set to work, the capitalist organisations began to resume control and to regain confidence in their ability to keep it. There ensued a remarkable recovery—not large enough to cure unemployment or lift production back to the level of 1929, but fully large enough to remove from any reasonable person's mind the belief that the American revolution was near at hand, or that American Capitalism was about to collapse under the impact of purely economic forces.

I believe that anyone who looks fairly and squarely at the facts will agree that, even if the recovery of the past two or three years gives place to another depression—even to a depression as deep as that from which the world is emerging to-day—it is quite unlikely that, from a purely economic point of view, such a depression will shipwreck either American or British Capitalism.

I have been speaking of "recovery." By this must be understood, of course, recovery in a capitalist sense. From the capitalist point of view both America and Great Britain were, by 1937, in a highly prosperous condition—even when allowance has been made for the recession in the United States in the latter part of the year. But that does not mean



that they have solved their social problems, or even succeeded in getting their unemployed back to work. Capitalism can prosper, even while a considerable fraction of the workers starves in idleness. It can prosper, while a considerable fraction of its productive resources rusts unused. It can prosper, and carry as additional social costs the maintenance of those workers for whom it can no longer find any useful work to do. In rich capitalist countries, it can feed the unemployed enough to prevent them from revolting, and still have plenty of profit left over for itself. In poorer countries, where this is harder, it can bring terror and dictatorship to its aid.

As far as Britain and America are concerned, there is nothing to stop their capitalists—nothing *economic*, I mean—from carrying these additional social costs for a long time without collapse. Capitalism will not, of course, meet these costs in a satisfactory human way. It will not give the unemployed or their families a decent life; but it will maintain them, on a low diet, enough to keep them alive, and not enough to give them energy to engage in revolutionary effort. British Capitalism does not need to go Fascist yet awhile. It can manage very much better without Sir Oswald Mosley.

But now let us turn to the situation in the weaker capitalist countries which have resorted to Fascism. Here, the most obvious question that has to be faced is this—Are we to regard Fascism itself as embodying a new economic as well as a new political system, or as merely a mercenary force in the pay of the national capitalists? I cannot rest content with either of these accounts of it. To accept the first is to take the ideological pretensions of the Fascists at their face value, which I am by no means ready to do. But to accept the second view is dangerously to oversimplify.

It is of course manifest that, wherever Fascism has established itself as a political system, the economic power of Capitalism has been maintained and strengthened. In Italy Capitalism is still relatively weak; but it is far stronger

than it was before Mussolini seized power. In Germany it is relatively strong; and it is far stronger than it was before Hitler, because the working-class opposition to it has been crushed. In Italy Capitalism is weak enough still for Mussolini to take ideological liberties with it in the name of the Corporative State: in Germany it is no accident, but a direct outcome of the greater strength of Capitalism, that the Nazis have had increasingly to concentrate their nonsense-mongering on racial issues, to let the so-called "Labour Front" sink into complete obscurity, and to bribe, as well as browbeat, their capitalists into acquiescence in the obviously uneconomic "war economy" of General Goering's Four Years' Plan. There is in Germany not even a pretence that Fascism is establishing the Corporative State.

In Italy, however, as well as in Germany Fascism, in its economic aspect, is no more than Capitalism buttressed by the dictatorial authority of the Police State. Behind the marchings and demonstrations of the Fascist armies and the black- or brown-shirted Fascist militias stand the forces of Capitalism; and, economically, the great capitalists largely call the tune to which Fascism has to dance. Yet that, true as it is, is not the whole of the truth. For Capitalism, in summoning its Fascist mercenaries to its defence, has conjured up forces which, in political matters, it cannot at all completely control. In order to keep the forces of Socialism under at home, it has to give the nationalist spirit unloosed by Fascism a run for its money in international affairs. It has to keep the minds of the people off home affairs by feeding them continually upon foreign triumphs. That is why, even when peace would best serve the interests of Capitalism in the Fascist countries, Fascism remains in world affairs a perpetually explosive force. Fascism is not merely a mercenary army with the task of keeping Capitalism in power. It is also politically an independent force, which must seek to maintain its national prestige by scoring continual victories at the expense of other countries.

Capitalism, in the Fascist States, therefore gains an unhampered power of exploiting the workers only at the cost of a certain sacrifice of its independence. In order to fee its mercenaries, it has to accommodate its politics to the Fascist need for national aggrandisement. It cannot seek wealth by buying in the cheapest and selling in the dearest market. It must square its search for profits with the demands of national self-sufficiency with a view to war. It must regard primarily the home market, even though the home market is necessarily depressed as a result of the beating down of wages and standards of living—a logical consequence of the destruction of Trade Unions and other institutions of democratic defence. That is why, in the Fascist countries, huge expenditure on armaments appears not as waste of the productive resources, but as an indispensable means of employing them; for how else is production to find an outlet when standards of living have been artificially depressed in the profit-makers' interest? The State becomes the principal consumer; and the State, driven by the inner contradictions of the system towards a militant policy of expansion and conquest, arms for war.

I cannot carry further this characterisation of Fascist Capitalism without bringing in explicitly the factors which I began by setting temporarily aside—the politico-economic, as distinct from the purely economic, factors making for the survival or supersession of the capitalist system. But, before we come to consider these factors directly, let us ask whether there is any greater prospect of Capitalism collapsing, under the impact of purely economic forces, in the Fascist countries than in, say, Great Britain or the United States.

It is often suggested that there is. We are told about the immense economic difficulties under which Germany and Italy are labouring to-day. Many people hoped that these difficulties would be formidable enough for even a half-hearted League blockade to prevent Italy from conquering Abyssinia; and many people even to-day hold out the hope that the German economy may collapse of itself under the

weight imposed upon it by military expenditure and the pursuit of economic self-sufficiency under the Nazi "Plan."

I believe this view to be totally wrong. No doubt the economic situation in both Germany and Italy is very difficult. No doubt, in Germany, Dr. Schacht has been under the continuous necessity of performing most remarkable feats of jugglery in order to keep the balls in the air. But even if Dr. Schacht or his successors were to drop the balls, that would not mean the collapse of Capitalism or of the Hitler regime. It would not mean, even if Germany passed through a still more grinding crisis than any that has befallen her as yet, that there would be a German revolution or the substitution for German Capitalism of an alternative economic system. The Nazis have no alternative; and there is no force now left in Germany capable of making a revolution—as long as Germany remains at peace.

It is, of course, easy enough for the economic theorist to demonstrate that the Economic Nationalism, which is the economic aspect of Fascist Capitalism, is wasting opportunities for the advancement of wealth. Is it not largely forfeiting the manifest advantages of the international division of labour, producing things dearly when it could buy them cheap, and thereby necessarily impoverishing the people and the nation? To be sure it is. But we must compare the working of Fascist Capitalism not with the ideal economic society postulated by the economic theorists as a norm, but with the actual conditions in the countries of non-Fascist Capitalism. Now, in such countries as Great Britain and the United States, it is true that more advantage is taken—in spite of the Government and its Marketing Boards—of the international division of labour. In fact, to us in Great Britain great advantage has accrued from it during the past few years. The non-Fascist countries are not incurring the same types of waste and impoverishment as are being incurred by both Germany and Italy, or at any rate are not incurring them to anything like the same extent. But the non-Fascist countries have been incurring plenty of other kinds of waste—above all the waste involved in leav-

ing a large part of their productive resources unemployed. When the Fascist dictators are confronted with a mass of unused labour, they do on the whole set that labour to work, even if they do not employ it in the most economic ways; whereas the non-Fascist countries for the most part have let it rot away in idleness.

Which of these systems results in the greater economic loss I do not pretend to say. Very likely it is about six of one and half a dozen of the other. The one casts aside most of the advantages of the international division of labour: the other periodically condemns millions of citizens to bare and useless existence on the dole. They are both profoundly wasteful and uneconomic; but there is no such clear balance of disadvantage against the Fascists as even entitles us to predict confidently that their system will collapse, while the other survives.

I think, then, it is quite a mistake to suppose that, by contrast with "democratic" Capitalism, Fascist Capitalism will break down because of its inability to feed the people. It will not feed them well; but it will feed them somehow—at least enough to avert positive collapse.

It is of course true that, when Fascism suppresses the working-class movement and destroys the organised forces which exist to defend the "bottom dog," it tips the distribution of incomes in favour of the rich and against the poor, and tends to depress the entire wealth of the community. But Fascism is not without means of offsetting this disadvantage so as to prevent it from engendering a revolutionary attitude. In Great Britain—and the position is much the same in America—the most glaring contrasts exist between the working-class standards of living in different parts of the country—say, between South Wales, Durham and Clydeside on the one hand and the developing industrial and commercial areas in the South of England on the other. There is flagrant maldistribution of incomes among the poor themselves, as well as between the poor and the rich. Now Fascism, I believe, creates even greater injustices in distribution as between rich and poor; but it

distributes better as between one poor man and another. Unhampered by such bodies as Trade Unions, it is better able to make the poor man who is a little better off maintain the poor man who is a little worse off, without making any call upon the rich. That power to make the poor share out among themselves is, I believe, an extraordinarily effective safeguard against revolution in the Fascist countries, and an additional reason why the wastes involved in Fascist economic policy cannot be expected in the near future to cause economic collapse.

Therefore I maintain that, despite the growing contradictions of Capitalism—the increasing contrast between power to create and the power to distribute wealth—the collapse of the system is not imminent, from purely economic causes, in either the Fascist or the non-Fascist countries. If Capitalism is in truth near its end, it will be brought down not directly by internal economic collapse, but by war. War will be needed to cause in the near future so great a collapse as to lead to revolution or the enforced reconstruction of the economic system on a non-capitalist basis. If Capitalism cannot survive for some considerable time yet, that will be because it cannot keep the peace.

Clearly, if the matter were in the hands of our British capitalists, the peace would be kept. For British Capitalism, unless it is positively attacked, has no interest in going to war. It has so much already that it would be insane to take risks in order to gain more. So clearly is this the view of British Capitalism that already a Government with strong imperialist leanings has sacrificed all its principles and one end of the Mediterranean, and shown its willingness to sacrifice the other end, rather than run even a slight risk of a war in which it might have found itself allied with the Soviet Union against the Fascist Powers. I verily believe it would give away the entire Empire, province by province, rather than find itself so embroiled. No other supposition can explain the trends of British foreign policy during the past few years.

Now, I cannot say that British Capitalism is wrong, in its

own interests, in taking up this attitude. It would, I believe, invoke at need British Fascism to save it from British Socialism; and internationally I am not surprised to find that it greatly prefers Hitler and Mussolini to Stalin and Negrin, or even to Léon Blum. Democracy is, for Capitalism, merely an expedient, whereas property is a sacred principle. Better lose the Empire, and defend Capitalism in Great Britain, than run the risk of using the imperial forces on the Socialist side in the world struggle between Fascism and Socialism.

At any rate, that is how British Capitalism has behaved, and is behaving to-day. That means that it does not want war; and that gives it, for the time being, a strong hold over the British people, who do not want war either.

There are, however, other capitalist countries which, whether or not they actually want war, stand in need of continual victories of prestige among their own peoples, and are prepared to face war rather than suffer any set-back which would seriously damage their prestige. These countries, as we have seen, are driven by the exigencies of their internal situation to press continually outwards, and after each "victory" to keep on demanding more. Even if they do not want war, they do want a world in which they can keep on exacting concessions by the threat of war. It follows that they must prepare for war, and be ready to embark upon it if at any time the countries at whom they are thrusting, goaded beyond endurance, determine to make a stand.

If Fascism were simply a mercenary in the pay of Capitalism, and bound on all occasions to obey the crack of the capitalist whip, this situation would not exist. At any rate for some time to come, German Capitalism and Italian Capitalism would come to terms with British and French Capitalism, sooner than declare war upon them. But in fact Fascism, though it could never have come to power in either Italy or Germany without the aid of the great capitalists who financed its operations, has become politically an independent force capable of moulding the short-run

course of events. Fascism can make war even against the judgment of the capitalists ; and the capitalists must allow it in the last resort to make war rather than lose prestige, because they cannot dispense with it as an instrument for preserving their economic power. In short, world Capitalism, in calling Fascism to its defence, has raised up devils whose day-to-day bedevilments it is now unable to control. Economically, Capitalism controls Fascist policy, in the sense of keeping it firmly to the protection of capitalist property. But politically it does not. Doubtless, if the Fascist States waged a great European war, and won it, Capitalism would dictate the settlement, just as it dictated the settlement of 1919. But Fascist Capitalism cannot stop the Fascist countries from menacing the world with war. Nor in the last resort would it wish to ; for Capitalism would greatly prefer world war to the world victory of Socialism.

In this political independence of Fascism lies the chief immediate danger. World Capitalism, left to itself, would for the present prefer to keep the peace. Fascism, on the other hand, cannot afford to wait ; for waiting wrecks its prestige. It lives on conjuring up enemies : as soon as it is opposed, it must smash its way to victory, or lose face. Verily Capitalism has called up devils to put down its enemies ; and its devils threaten to tear civilisation to pieces.

But where, in all this, do the constructive forces of Socialism come in ? They are still alive, and free to act, in the non-Fascist countries ; and in some—in Sweden and Denmark, for example, and latterly in France—they have been doing excellent work in combating the economic crisis and extending the power of the parliamentary State over the regulation of capitalist institutions. Can they not, here and elsewhere, where parliamentary institutions survive, go farther than this, and begin speedily upon the constructive task of replacing Capitalism by a Socialist system that will unloose the powers of production and institute a new age of plenty on a basis of modern technique ?

What—since that comes nearest home to most of us—can



the forces of constructive Socialism do, here and now, in Great Britain? To that question I want to devote the last part of this essay; and I fear I must begin with a few uncomfortable words about the Labour Party's political prospects and the probable government of this country in the immediate future.

I have to say quite categorically that there does not seem to me to be any probability, as far as the foreseeable forces are concerned, of a clear Labour majority at the next General Election. In order to win a majority, Labour would have to win nearly every seat at present held by the Government by a margin of less than 6,000 votes, and to do this without losing more than a very few of the seats which it now holds. Unless the political situation changes in quite unpredictable ways, this seems to me to be almost out of the question. I can see the Labour Party gaining a considerable number of additional seats; but I cannot, by any stretch of the imagination, see it winning an independent majority along its present lines. Nor can I see much prospect even of a return to the situation of 1929, when Labour and Independent Liberalism commanded between them a majority in the House of Commons; for Liberalism has split since then, and there are no signs of a Liberal revival on any significant scale.

If this view is correct, it confronts the Socialists with an outlook that must give very serious food for thought. During recent years they have been an impotent political minority, looking on while the Government has betrayed in turn every principle that was supposed to be guiding British policy—while it has destroyed the League of Nations, handed the Mediterranean over to Mussolini and the Far East to Japan, compelled France to desert the Spanish democracy by threatening M. Blum with the rupture of the Locarno Treaties, in short in every possible way encouraged the Fascist aggressors to believe that they have only to threaten war in order to be allowed to take whatever they covet. By these successive betrayals the hope of building up a League system of pooled security has been wantonly

thrown away. The danger of world war has been made infinitely greater and more immediate: the prospect that the entire civilisation of Western Europe may be eclipsed has been infinitely increased.

Yet, if we are to wait until Labour gets its coveted majority, what escape from this humiliation can we look for within the next ten years? Ten years! When within ten months Fascism will certainly have committed as many more acts of wanton aggression: when within ten months all Europe may be engulfed in war!

Within far less than ten years the entire situation in Europe will almost certainly have so changed that nothing that can be said now will have any relevance. Yet the leaders of Labour are apparently prepared to spend the next ten years fishing in troubled waters for a majority that may not be there.

I do not feel like condemning myself, and I hope my fellow-countrymen do not feel like condemning themselves, to ten years of political impotence—ten years that will be decisive for the entire future of Socialism and of Western civilisation. If the diagnosis that I have been putting forward is anything like correct, our policy needs radical readjustment: it simply cannot be right as it is. This readjustment, I believe, has two aspects, the domestic and the international, and in both the issues that are at stake are fundamentally the same.

It will be agreed that, from the standpoint of Socialism or democracy or ordinary human decency, the record of the past years is one of humiliating defeat. It is a record of the undermining, by one thing after another, of the forces which are capable of moulding the future of human society without war—of moulding it, hopefully, and step by step, into the shapes which are indispensable if Western civilisation is to survive at all. It is a record of one surrender after another, one strengthening after another of the forces that are most dangerous to democracy and peace, one discouragement after another to those men and nations that are seeking to play their parts in building up a saner world. As long

as these trends continue—and that means as long as a Government of the Right remains in power—the democratic forces will be more and more weakened and discouraged, and less and less able or inclined to make common cause for the defence of civilisation. There will be more and more defections to the Fascist side, more and more frightened proclamations of neutrality, more and more so-called “civil wars” which are in reality class-wars of international Fascism against democracy. We can see what that means in Spain to-day; and we can see there with what ruthless brutality the Fascists wage their wars. The longer we stand aside, the more the forces of democracy are weakened and demoralised; and the more the world comes to believe that treaty-breaking and savage cruelty are the things that pay.

What is the cause for this lamentable disunity among the forces of democracy and human decency? It is, of course, that in every capitalist country the capitalists in the mass, though they may still repudiate Fascism, greatly prefer it to any sort of Socialism. They are determined above all else to keep their wealth; and, while they do not want Fascism where they can govern without it, they will do nothing that might strengthen Socialism against it in the world as a whole. As long as a capitalist Government governs Great Britain, it will be impossible for Great Britain to range itself internationally with any group that stands for united opposition to the Fascist aggressors. For such a grouping must include the Socialists, and indeed depend upon them for leadership and direction. British Capitalism will have none of such an alliance, within or without the League of Nations. It prefers Hitler and Mussolini to a democracy which is based upon the Left.

If then we want to achieve international unity against the Fascist threat of war, we must turn out our capitalist Government, and put in its place a Government of the Left. But for that we cannot afford to wait ten years, or even half so long. Unless we are prepared to see the world laid in ruins by war, and Fascism triumphant all over Europe, we

must pull this British Government down. For Britain, by virtue of her power, holds the key to the entire balance of forces in Europe.

That means that, here in Great Britain, our immediate task is not the getting of Socialism—for that is not within our grasp—but the achievement of a sufficient combination of Left forces to swing this country into an international democratic alliance for the preservation of peace. It means getting Great Britain into a system of real pooled security, with France and Russia and every lesser Power that is prepared to play its part. It means creating an international compact so strong that even predatory Fascism will not dare to challenge its might.

Now that involves a broader combination at home than it is possible to achieve under the Labour Party alone. It means a broader combination than can be achieved by merely persuading Labour and Liberalism to act together. It means a People's Front broad enough to embrace a great many people who, largely out of mistrust for the competence of the Labour and Liberal Parties, have hitherto voted for the Government candidates. It involves therewith a broad appeal to the generous spirit of youth—an appeal to principles, and not merely to temporary expediencies, vital as these are.

Such a notion, of course, from the standpoint of devoted party adherents, involves a very big wrench. Take, for example, our Labour Party statesmen. For years they have been looking forward to winning a clear majority for their party. They have been prophesying that Liberalism would in due course melt away to nothing, while they stood under it with a bucket and caught the drops. Well, Liberalism's melting-point has been low enough; but the Labour bucket seems to have had a hole in it, for somehow the votes lost to Liberalism seem mostly to have gone, not to Labour, but to the capitalist side. It is surely high time for the Labour Party to realise that merely to wait upon the dissolution of Liberalism in the expectation that a Labour majority will thereupon automatically accrue, is a fool's

game. If that is the Labour attitude, the Labour Party is living in a fool's paradise.

For that is not what will happen. Even apart from the danger that war will be on us long before the Liberal lump has wholly melted away, Labour will in fact win over to Socialism the dissolving elements of the old system only in as far as it is able to constitute itself the leader of a national and international crusade with a plain purpose that all can understand. It must make a crusade that will appeal not only to Trade Unionists, and to old Socialists, but also, because of its direct relevance to the immediate issues of to-day and to-morrow, to the great majority of ordinary decent people, whatever their past political affiliations may have been.

To-day, it is futile to build an immediate policy on hopes of the Socialist Commonwealth. What needs to be done now is to secure the foundations on which we can hope to build at all. For the chance of building Socialism in the future depends on our success now in saving Western civilisation from entire eclipse.

This conviction has been behind everything that I have written. I do not believe, as some Socialists apparently do still believe, that Socialism is inevitable. I do not believe that there is over Great Britain, or over Western Europe, some almighty watching power which has ordained that, however feebly and foolishly men behave, Socialism is bound to come. I do believe that Socialism is the logical sequel to Capitalism, and that only on Socialist foundations can our civilisation escape its contradictions, or continue to advance, or indeed avoid sheer dissolution before long. But why should it progress, unless we make it? Why should it not decay and dissolve, as other civilisations have perished before in the world's history? Man makes his history, for good or ill: it is not made for him. He makes it, indeed, within environing economic conditions to which he must conform; and the penalty for failure to conform to these conditions is defeat. But defeat is fully as possible as victory. It depends on us whether we succeed or fail.

I see then as the alternative to Socialism nothing but decay. Economically Capitalism could survive for a long time yet, if the economic forces were left to work themselves out alone. But it would be a decaying Capitalism, more and more in conflict with the advancing technical forces of production, less and less able to provide regular employment for the people, or to distribute the goods and services which it would be technically competent to produce. Moreover, even if there were no wars to disturb the even tenor of its decline, every slide downward would make it harder to build up Socialism in a sane and constructive way, and make it likelier that Socialism could come, if at all, only painfully and slowly out of the welter of destitution and inefficiency which dying Capitalism would leave behind.

But I do not think that is how things will happen. Capitalism will not wither slowly away. What is far more probable, unless we make quickly our national and international stand, is war—war to the death, international civil war bloodier and more desperate than any conflict in the world's history—war that is likely to leave behind it the sheer wreck of everything that is valuable in this civilisation in which we live.

That is not inevitable either—any more than Socialism is inevitable. We have still time to prevent it, if we can pluck up our fainting courage and reassemble our scattered wits to the task. We want to build Socialism, I hope, not amid the ruins of a broken civilisation, but on the foundations that have been laid for us by centuries of man's successful struggle to master the forces of nature and the arts of civilised living. We want to build up Socialism in that way because it will be better built, and because we value human happiness, and shrink back appalled at the prospect of human misery which the alternative involves.

That is a reason, as I see it, for acting promptly to widen the democratic front, not at any sacrifice of Socialist principles, but by concentrating for the moment upon those things which we can hope practically to achieve, and above all on those immediate measures which are essential for

salvaging civilisation in the present crisis. Pooled security for the preservation of peace; mutual resistance to Fascist aggression; the defence of democratic institutions at home and abroad; and therewith a short, simple, practical programme of domestic reorganisation and reform, based on the re-employment of the workless and the immediate raising of the minimum standard of life. These, I believe, are the ingredients of a policy capable of rallying the united enthusiasm of the Left. But unless we act speedily, in the spirit of democratic unity against the devilish forces that have been let loose on the world, I fear greatly that we may act too late.

## VIII

### TOWARDS SOCIALISM

OPPONENTS of Socialism are fond of denying that the word "Socialist" has any clear meaning. It means, they say, a hundred different things to different people, and it is hard to find two Socialists who can agree upon a common policy. Their suggestion is that there is no hard core of real meaning behind the idea of Socialism, and that it is merely a name given to many different forms of disgruntlement with things as they are. It is, of course, true that Socialists differ among themselves on many points. But I think they differ mainly about right ways of applying Socialist principles at a particular time or to a particular situation, and not about Socialism itself. For, although there are many different ways of approach to Socialism, and the Socialist idea appeals in various ways to men and women of different temperaments and experiences, at bottom by Socialism Socialists all mean much the same thing. They mean, above everything else, that they want to live in a world organised on a system not of competition of man with man, or of group with group, but of universal human fellowship; and they are quite sure such human societies cannot exist as long as men are divided into social classes with antagonistic interests. Fundamentally Socialists believe in working for a classless society from which all antagonisms based on the existence of class differences will have utterly disappeared. This does not mean that Socialists think all men equal by nature either in their attainments or in their capacity for serving their fellow-men. It does not mean that they want to mould everyone after a single pattern, or to lessen the importance of individual differences of taste, temper and capacity. On the contrary they believe that an economic society based on the idea of fellowship instead of competition will give vastly more room for the development of



individuality than any system which denies this fellowship. They value human differences, but see in them a means not to a struggle between man and man, or group and group, but to more valuable and successful co-operation in the common service of human happiness. They want each man and woman to have the chance of living their own lives, so as to work in with the pattern of a society organised on an essentially co-operative basis. As I see it, this idea of human fellowship is the root idea of Socialism; but a man is a Socialist only if, believing in human fellowship, he also sees that the achievement of this fellowship depends on a right adjustment and subordination of the economic factors in men's social existence.

Given this belief in human fellowship as the basic idea of Socialism, men may go on to shape their Socialist creed in many different ways, according to the varieties of each man's experience and turn of mind. One will be conscious above all else of the sheer muddle and waste that are characteristic of the economic system as it is, the constant misdirection of human effort, the failure to use the material resources at the command of society so as to give the best results from the standpoint of human happiness, the patent inefficiency of the competitive system both within his own country and in the relations of that country with the rest of the world. Anyone who possesses in addition to the underlying belief in human fellowship a tidy or scientific mind is bound to be appalled at this spectacle of waste, and above all to-day at the startling failure of mankind to make an end of poverty, despite the vast technical advances of productive power during the last two or three decades. Such a man feels the itch of the technician or the administrator to clean up this prodigious mess, and to get the economic system more tidily and efficiently organised, so that it will adequately serve its proper purpose in generating wealth and material welfare. He cannot bear to stand idly by while the resources of civilisation are allowed to run hopelessly to waste. He wants to lend a hand; and Socialism, with its ideal "to each according to his needs, from each

according to his capacities," seems to offer the only possible instrument of regeneration.

There is a second type of Socialist who, sharing the fundamental faith in human fellowship, is led to Socialism primarily as a creed of protest against human misery. He begins perhaps as a social reformer desiring to make things better by the passing of this or that particular measure of amelioration; but before long he comes to realise that mere tinkering with particular social problems fails to get to the bottom of the trouble, and that the possibility of social reform is narrowly limited by the general conditions under which the economic system works. He is told that he must not tax the rich any more for fear of destroying enterprise, that wages cannot be raised because of international competition, that the State cannot afford to provide a decent education for the children or tolerable maintenance for the aged or the unemployed for fear of drying up the incentives to capitalist investment and production. He feels unable to acquiesce in this philosophy of "devil take the hindmost," both because it is in fundamental contradiction to his belief in human fellowship, and because the consciousness of the misery in which it involves large masses of his fellow-men hurts him and goes far to destroy his satisfaction in his own lot, even if he is himself more fortunately placed. He passes over, accordingly, from social reform to Socialism, and comes to understand that there is no way out of the disease of poverty short of a complete change of economic system.

Both these types, provided they set out from the fundamental belief in human fellowship, can make good and sincere Socialists. And yet in both of them there is, I think, something lacking; for the Socialist gains, not indeed a new belief, but an added strength of conviction and an added power of active will when he sees in Socialism not merely a system desirable as a means of straightening out the muddle of contemporary civilisation or of putting an end to the preventable miseries of the poor, but also the culmination of an historic process—a stage in social evolution

to which the forces let loose on the world by the growth of man's knowledge and command over nature are powerfully and perhaps irresistibly tending. He sees the entire growth of modern industrialism as an increasing application of the co-operative strength of men to the processes of manufacture and distribution. He sees the modern factory, with its hundreds or thousands of employees, as essentially a co-operative enterprise in which no man produces anything by himself, but the product is undeniably the work of all. Nor does this vision of the world as a co-operative system stop short at a particular factory, or even at the borders of a single country. We have been taught from our youth to regard the modern economic process as a delicate adjustment of the relations of production, not only between factory and factory, and between industry and industry, but also between country and country. We have been taught to marvel at the delicacy of this system, which has somehow come into being without any deliberate or comprehensive human planning, and to regard it as the expression of an underlying harmony in the affairs of men. The great Victorians bade us let things alone, and touch the workings of this economic providence at our peril. But in these days we have grown sceptical of *laissez-faire*; and those of us who are Socialists see the world growing from a stage of unconscious co-operation, which has been forced upon men by the very evolution of the powers of production, to one of conscious collaboration to make the best of these powers in the interests of all. We see the co-operation which already exists in the world thwarted and spoilt at every turn by class antagonisms, by the avidity of possessing classes to snatch for themselves the benefits of a productivity which is the result of co-operative endeavour, and by the too-patient acquiescence of the mass of men in this exploitation of class by class. At the same time we see the working class driven to organise by the very conditions of the work which they are called upon to do. Factories and mines, and even warehouses and offices become the school-rooms in which the lesson of collective action is learnt.

Out of these conditions Trade Unionism arises as an instinctive measure of collective self-defence. It wins its victories and suffers its defeats, learning all the time by experience, until its keener spirits come to see that within the framework of the existing economic system Trade Unionism is at the mercy of the changing fortunes of trade, and that there can be no achievement of security or of satisfactory living conditions within the assumptions on which Capitalism rests. Trade Unionists who realise this become Socialists; and with the conversion of a growing part of the working class to conscious Socialism, Socialism itself ceases to be merely an idea or a creed, and comes to be a movement based firmly upon the co-operative power of the workers. Marx long ago taught Socialists this lesson, bidding them pass from the purely Utopian phase, in which Socialism was no more than the theoretical expression of the idea of social co-operation, to what he called the "scientific" stage, which made Socialism appear as the fulfilment of an historic process to be achieved by the collective action of the working class. But Marx, in calling upon Socialists to take up this scientific attitude, did not bid them sacrifice their idealism. He sought only to give them the new strength of a consciousness that the forces of economic development were on the side of their ideal. Socialism is not Socialism unless it bases itself firmly upon the working-class movement, but equally it is not Socialism unless it is animated throughout by faith in human fellowship.

This faith rests at bottom on an unquenchable belief in human decency. Socialists are always being told that, evil as many of the by-products of Capitalism must be admitted to be, the desire for a better system is nevertheless Utopian, because men are not decent enough to work together in amity, or to subordinate their individual greed to the common cause of human happiness. All Socialists reject this pessimism. They believe that most men are fundamentally decent, and will for the most part learn to behave decently if they are given a fair chance. Capitalism, they

say, does not give most men a fair chance, for it is based on an appeal to the very motives which make decent living together impossible. It compels one man and one class to pull all the time against another, imposing disastrous penalties on those who refuse to behave with self-centred blindness in a world of blinkered men. Socialists say, as Robert Owen said long ago, that if the economic system can be so reorganised as to surround men with different conditions, and if from childhood men can be educated in a collective, as they are now educated in an individualist, faith, most of them will soon be very ready to respond to the new stimuli. Indeed, it is certain that men have responded in Russia—not perfectly of course, but hopefully enough to give reasonable confidence in their will to offer of their best in the common service, and of their power to order their economic affairs in a co-operative way. Socialists are under no illusion that men are angels, or that Socialism will work perfectly, or eradicate all selfish and self-seeking motives from the minds of men, but they do believe that in a classless society these motives can be far more successfully subordinated than they can be under the profit system, and that with their conquest mankind will succeed at last in putting the economic problem in its place, and setting free much more human energy for the pursuit of happiness and the good life. That, at any rate, is the faith that makes me a Socialist, and I am conscious of it as a link with other Socialists and as something that sets me apart in the ordinary intercourse of everyday life from everyone who does not share that fundamental belief. On matters of policy, on the tactics and strategy of Socialism, I may differ profoundly from many of my fellow Socialists. But this, at any rate, I have in common with them—a desire for human fellowship, and a belief that fellowship is unattainable save within an economic order based through and through on the principle of social co-operation, and immune from those destructive class-antagonisms which to-day keep men humanly as well as economically apart.

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